FINANCIAL TIMES

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Will De Beers and Russia be forever?
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World Business Newspaper http://www.FT.com TUESDAY FEBRUARY 11 1997

Small investors to get bigger slice of Telefónica

The share of Spain's Pta600bn ($4.3bn) Telefónica privatisation reserved for small investors was raised from 50 to 60 per cent of the initial offering, and is expected to be increased still further. State holding company Seppa, which is selling the shares, last night fixed a maximum price of Pta3,385 ahead of the final subscription period, which opens today and ends on Friday. Page 20; Lex, Page 18

Bodyguard wins poll: Alexander Korzhakov, former bodyguard of Russian president Boris Yeltsin, won a by-election in Tula, giving him a national platform to air more compromising information about his Kremlin enemies. Page 2

Aircraft project in jeopardy: Britain's Royal Air Force wants to halve its order for Future Large Aircraft military transporters, threatening the involvement of British Aerospace in the proposed European project. Page 10

Croats attack Moslems: Bosnian Croats fired at Moslems visiting a cemetery in the divided Bosnian town of Mostar, killing one person and wounding 22. Witnesses said some 100 Croats tried to stop the Moslems entering the Liska cemetery.

Spanish judge shot: Spanish supreme court judge Rafael Martinez Emperador was shot dead outside his home in Madrid hours after a car bomb had killed one man in Granada. The government blamed the judge's death on the Basque separatist group ETA. Meanwhile a leader of ETA's political arm Herri Batasuna was found hanged hours before he was due to appear before the supreme court, police said. Page 2

Usinor Sacilor, Europe's biggest steelmaker, is to invest in CSI Corporación Siderúrgica of Spain. Page 19

Czech fund group probed: Czech stock market regulators are to investigate PIAS, one of the country's leading fund management groups, in their bid to curb abuses on Prague's unruly stock market. Page 2

British Airways' third-quarter pre-tax profits were up 8.7 per cent to £113m ($184.2m), well above expectations. The airline is celebrating the tenth anniversary of its privatisation by offering 200 return Concorde tickets from London to New York for £10 each. Page 19

Hostage talks due today: The leader of leftwing Tupac Amaru rebels holding 72 hostages in the Peruvian capital, Quito, agreed to start talks with the government today but warned he would still demand the release of jailed comrades. The crisis began on December 17 when the rebels took over tha Japanese ambassador's residence during a reception.

Seoul probe comes closer to president

The probe into South Korea's Hanbo Steel loan scandal moved closer to implicating close associates of President Kim Young-sam when prosecutors qnestioned two MPs from the ruling party. Those under investigation include Hong In-kil, left, nicknamed "the president's butler", and Chung Jae-chull, a ruling party official and ex-president of Korea First Bank, Hanbo's biggest creditor. Page 18

Chase attacked: Home security company ADT, target of a $3.5bn hostile bid, has attacked its bank, Chase Manhattan, in a lawsuit which raised questions about Chase's aggressive move into mergers and acquisitions. ADT's suit accused Chase of breaching its fiduciary duty by backing the bid. Page 19

New trial for Priebke: Italy's highest court ruled that e military court should hear the war crimes retrial of former Nazi SS captain Erich Priebke, 83. He is accused of complicity in the 1944 massacre of 335 men and boys at caves near Rome in 1944.

SA gold output down: South Africa gold production fell last year to its lowest level since 1956, in spite of a stronger second half. Mines produced 494 tonnes in 1996, 5.3 per cent down on 1995. Page 19; Commodities, Page 28

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6,852.34	(-3.46)
NASDAQ Composite	1,348.52	(-9.19)
Europe and Far East		
CAC40	2,595.37	(-2.15)
DAX	3,184.36	(+46.35)
FTSE 100	4,307.7	(-0.1)
Nikkei	18,181.17	(+314.13)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.111%
Long Bond	97 15/32
Yield	6.691%

OTHER RATES

UK: 3-mo Interbank	6¼%	(same)
UK: 10 yr Gilt	102 1/32	(101 19/32)
France: 10 yr OAT	107.68	(107.09)
Germany: 10 yr Bund	102.86	(102.75)
Japan: 10 yr JGB	closed	(104.395)

NORTH SEA OIL (Argus)

Brent Dated	$20.71	(21.74)

GOLD

New York: Comex		
(Feb)	$342.5	(343.3)
London:		
close	$341.20	(340.35)

DOLLAR

New York: lunchtime		
£	1.6383	
DM	1.65725	
FFr	5.594	
SFr	1.42585	
Y	122.745	
London:		
£	1.6334	(1.6325)
DM	1.6565	(1.6722)
FFr	5.5905	(5.6422)
SFr	1.4280	(1.4419)
Y	122.83	(124.655)
Tokyo close:	Y 123.20	

STERLING

DM	2.7058	(2.7148)

9 770174 736128 07

Sotheby's to review its business practices

By Robert Wright in London

Sotheby's, international art dealers, last night announced an internal review and the appointment of a director of complianca in a bid to silence doubts about its business practices.

Tbe company also announced that Mr Roeland Kollewijn, the company's old masters expert in Milan, had resigned in tbe light of the investigation into a transaction involving an 18th century painting by the Italian artist Giuseppe Nogari.

Mr Kollewijn was one of two Sotbeby's staff wbo were suspended last Thursday in connection with a UK television programme.

This included secret film of discussions in Italy about the sale of the painting, which was later sold in London, allegedly without the necessary export licence. The other member of staff remained suspended, Sotheby's said.

Sotheby's has maintained its staff were entrapped by the programme makers into breaking the company's strict code of conduct.

Last night's announcement, issued in the name of the board of Sotbeby's Holdings, the company's US parent, said that, after a meeting yesterday, they had written to worldwide staff to tell them about the new measures.

These were being taken to address concerns raised about compliance procedures, the company said.

The statement went on: "The company has decided to create a committee of its independent directors to conduct an internal review of the firm's practices and review the firm's compliance and its strict code of conduct.

"The committee will retain the services of independent law firms in the UK and US and will focus in particular on international trade issues and auction room practices."

Sotheby's management believed its current house rules for employees were among the most stringent in the industry but they would be reviewed and, if appropriate, further reinforced and clarified.

The training programme would be strengthened further to ensure all Sotheby's staff continued to be trained to the highest ethical and professional standards.

The new director of compliance would work alongside the existing internal audit department, the board said.

In an address to the staff, Sotheby's Holdings' president,

Continued on Page 18

President hails economy's 'strong' outlook

Clinton says US jobs and growth are sustainable

By Gerard Baker in Washington

The US economy is set to maintain its strong rates of growth and job creation, and there is no risk of a resurgence in inflation in the foreseeable future, President Bill Clinton said yesterday in his annual economic report to Congress.

Mr Clinton said the current expansion was sustainable for at least the next five years. In the past five years, he said, more than 11m jobs had been created, unemployment had fallen to 5.4 per cent, and yet consumer price inflation had remained below 3 per cent.

"Our economy is stronger than it has been in decades," Mr Clinton said in the report, prepared by his council of economic advisers. "The ability of the economy to snstain low inflation and low unemployment is the best it has been in years."

Mr Clinton's claims differed sharply from the views of Mr Alan Greenspan, chairman of the Federal Reserve, who has argued that the current benign equilibrium of low unemployment and low inflation is likely to prove temporary.

In tbe past, an unemployment rate below about 5.7 per cent for a sustained period has produced strong wage pressures that ultimately forced the Fed to raise sbort-term interest rates. Mr Greenspan warned last month that the US central bank was in a state of inflation alert. The private sector economists expect the Fed to tighten policy this year to curb strong demand growth.

Mr Joseph Stiglitz, chairman of the council of economic advisers, said yesterday there was "some degree of rational exuberance" in the US economy, a reference to Mr Greenspan's warning in December that the financial markets were buoyed up by "irrational exuberance".

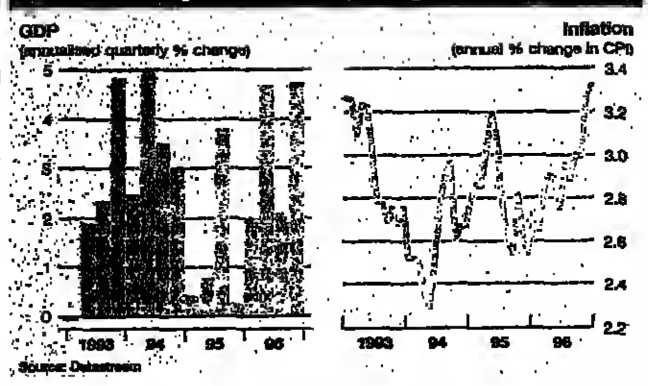
"Profits have been very, very high, the underlying fundamentals of the economy are vary, very strong, interest rates are low," Mr Stiglitz said, presenting the report. "Those factors are consistent with a strong market." Though not directly critical of tbe Fed, whicb enjoys a hallowed independence in the US economic policy establishment, the report took a different tack from the central bank on a number of other questions.

It rejected another of Mr Greenspan's nostrums that monetary policy needed to be tightened pre-emptively before inflation took hold. Most central bankers argue that once inflation starts rising, it takes a dramatic slowdown in growth to crush it again. Tbe report, however, claimed that getting inflation down again would not require an extra-tough monetary policy. "In today's stabla environment, runaway inflation is not a threat," it said. The report also argued that any effort to drive inflation to zero would do more harm than good.

It also offered several explanations for the decline in the unemployment rate that could be sustained without producing accelerating inflation. It said the workforce was ageing, with more older workers who changed jobs less frequently. Workers' aspirations for higher wages had not caught up with productivity growth in the last few years. And increased global competition had created an environment in which workers were prepared to accept smaller wage increases.

In a less self-congratulatory mode, the report identified the need for improvements in education to raise US competitiveness.

US economy set for stable growth



Source: Datastream

Dollar may be buoyed, Page 7

Albanian demonstrators throw stones at security police in the Adriatic port of Vlore. Two demonstrators were killed in the riot, which followed 10 weeks of protests against the country's government by investors who lost their savings in pyramid funds Report, Page 2 Picture: Reuter

Italy's Stet expected to buy 49% of Serb telecoms group

By Guy Dinmore in Belgrade and Paul Betts in Milan

Italy's state-owned telacommunications company, Stet, is expected to buy a 49 per cent stake in Serbia's state telephone company in a deal that would throw a lifeline to the cash-strapped government of President Slobodan Milosevic.

Serbian officials and independent analysts said yesterday Stet would be offered the Serbian PTT at much less than its real value. The price tag, said to range between $610m and $900m, is designed to speed up the deal and offset the risk of investing in Serbia at a time of political upheaval and frozen relations with the international financial community.

Serbia's socialist government has almost exhausted its foreign currency reserves and needs casb to pay police, the army, pensioners and workers to avert further social unrest across the country.

For its part Stet, which is cash-rich, is keen to enter east European markets after failing in tenders to buy stakes in Hungarian and Czech telecoms, although it is in a venture with Deutsche Telekom to build a cellular network in the Czech Republic. "Stet is looking for a nice young bride," one independent economist said.

Stet, which is to be privatised this year, yesterday confirmed it had been in talks with the Serbian authorities. But it said no final agreement had been reached and refused

Continued on Page 18

Westinghouse in $1.55bn deal for country music TV

By Christopher Parkes in Los Angeles

Westinghouse Electric, the industrial group bidding for a new lease on life as an entertainment company, is to pay $1.55bn for two US country music television channels owned by Gaylord, owner of Nashville's Grand Ole Opry.

The all-shara purcbasa launches the company into cable distribntion with The Nashville Natwork, which reaches more than 70m bouseholds, and Country Music Television, with 38m subscribers.

The deal is the last big acquisition needed to fulfil Westinghouse's strategy, Mr Michael Jordan, group chairman, said yesterday.

In less than two years since Westinghouse started building on its handful of TV stations, the group has become one of the entertainment and media industry's leaders. Since it paid $5.4bn for tbe CBS national broadcast network in 1995, Weatingbouse has become the biggest radio station operator in the US through the $4.9bn purcbase of Infinity Broadcasting. It will control more than 20 per cent of US local radio revenues.

The group's owned and operated TV stations cover 33 per cent of the US, with particular strength in heavily populated centres. Yaaterday's cable acquisitions giva it a strong platform for further growth.

It also forges a powerful bond between CBS and Gaylord, which could lead to closer links. Gaylord will retain several TV stations dedicated to airing CBS programmes, as well as themed entertainment parks, country music recording operations and two smaller cable networks.

Mr Edward Gaylord, son of the group's founder, will become one of the largest shareholders in Westinghouse/CBS because his family controls 60 per cent of Gaylord.

Mr Gaylord is credited with the revival of country music in the US since TNN was launched in 1989, creating stars such as Reba McIntyre and Garth Brooks.

As part of the deal, CBS will surrender to Gaylord its one-third stake in CMT International, a fledgling cable network building an international audience from its current 10m subscriber base.

Although there is little capacity on conventional cable systems, which typically carry about 40 channels, multi-channel satellita TV has recently arrived in the US and cable operators are upgrading their systems to compete with up to 200 channels on offer.

Westinghouse is now expected to accelerate the disposal of its remaining industrial holdings.

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NEWS: EUROPE

Action threatens to be start of a long struggle between the government and unions

Italian post offices closed by strike

By Robert Graham in Rome

Post offices throughout Italy were closed yesterday by a strike over blocked wage talks and cuts in government subsidies.

The postal workers' action, hard on the heels of a weekend protest stoppage by railwaymen, threatens to be the beginning of a long battle between the government and unions over reorganisation and cost savings in loss-making public services.

The 186,000 post office workers claim the government has failed to honour the third tranche of a February 1996 wage agreement which was part of a plan to convert the postal services into a publicly-run company. The government insists the original deal is incompatible with current incomes policy.

Payment of the full third tranche is due in March and if accepted along with other fringe benefits, would mean a breach of the policy to keep incomes close to the 2.5 per cent inflation target for 1997.

Personnel costs account for 87 per cent of post office receipts, which totalled L11,100bn ($6.78bn) (net of government transfers) in 1996. Since 1993, the service has accumulated losses of over L6,000bn and without drastic surgery will again be close to L700bn this year.

The centre-left government has sliced L2,000bn of transfers to the postal services in this year's budget. The unions say this will hold back long-delayed investment in upgrading technology to offer a better service and compete more effectively in areas with profit potential. Post office counters for instance, are the main vehicle used by the public to buy government bonds.

The government argues that there is little room or justification for heavy investment unless personnel costs are cut and productivity raised. Last year, only 85 per cent of the quality improvement target in domestic mail delivery was achieved.

In pressing for reform, the government is up against a highly-unionised workforce with entrenched privileges. Financial constraints make it difficult for the government to tackle the deficit by the favoured means of the previous four years: generous retirement deals.

Similar considerations apply on a bigger scale to the state-run railways, FS, whose employees are seeking a pay rise of more than double the inflation rate.

The unions held a 24-hour strike at the weekend and plan further stoppages throughout the month against government plans unveiled on January 30 to split FS into two arms – the track network and traffic operations. But their real concern appears to be an impending crackdown on privileges such as inflated pay, free travel and generous early retirement. The railways are set to lose some L6,00bn this year.

Czech fund group to be probed

By Vincent Boland in Prague

Czech stock market regulators struggling to clamp down on abuses in the unruly Prague stock market are to investigate one of the country's leading fund management groups.

The move comes a few days after officials removed the licences of 18 small fund groups and fined 62 others for trading violations.

Mr Jan Veverka, head of the securities bureau, the semi-independent regulatory arm of the finance ministry, said the investigation into the PIAS fund management group concerned possible breaches of the commercial code and trading patterns in shares of the assets in funds under management.

Mr Veverka said the investigation resulted from a complaint by Mr Petr Horský, a Czech investor suing PIAS for what he alleges was "misleading" information relating to the net asset value of a fund in which he owned shares.

Mr Horský claims he was unable to sell his shares for the price published in 1994, costing him Kc 1.25m ($44,800). He has started court proceedings seeking compensation. The Securities Bureau found no evidence to support his claim, but Mr Veverka said the audit uncovered "serious information" that merited a wider investigation.

"We have many signals that we should take stronger action against PIAS," Mr Veverka said in an interview. He declined to give specific details of the proposed investigation.

PIAS, part of the IPB banking group, is one of the biggest Czech fund managers with Kc 30bn ($1.08bn) under management and some 450,000 investors in its funds.

Mr Jaroslav Trneček, director of fund management at PIAS, said yesterday the firm was not aware of any investigation by the Securities Bureau and would co-operate fully. "We are ready to give full information to any investigation. Our co-operation with the Securities Office is extremely good," he said.

The Securities Bureau was created last month out of the regulatory department of the finance ministry, though it remains understaffed and underfunded. It is meant to be a forerunner to a fully independent market watchdog along the lines of the US Securities and Exchange Commission, which Mr Veverka said would be in place "in the next year".

Pitched battles in Albania

Two demonstrators died yesterday in street battles with riot police in the southern Albanian port of Vlore, one of a bullet wound, the other of a heart attack, Reuter reports from Vlore. The casualties brought to three the number of dead in two days of clashes following the collapse of a local pyramid investment fund. Ambulances raced through the town after a morning of pitched battles in which demonstrators cornered policemen and forced them to retreat. Twenty-six people remain in hospital.

Madrid to limit pay-TV football

By David White in Madrid

Companies running "pay-per-view" television services in Spain will not be allowed to obtain exclusive rights to broadcast football matches, according to a leaked draft of new legislation due to be approved by the cabinet later this week.

The plan, which would ensure that big matches were available on ordinary channels and not monopolised by pay-TV companies, adds further fuel to a fierce and highly political battle for control of digital TV in Spain.

It follows proposals from the European Commission to give member states the right to guarantee wide public access to TV broadcasts of top sporting events. The Commission proposals are aimed at reaching a compromise between the public interest and the rights of pay-TV operators.

The Spanish draft bill, published in the daily El Mundo, cites the need to ensure free competition. But the government's main opponent in the digital TV dispute, the Prisa media group, dismissed the move as "interventionist" and said it was aimed at meddling in agreements reached by private companies.

Prisa is a major shareholder in Sogecable, which pioneered pay-TV in Spain with Canal Plus of France, and which recently launched the country's first digital station, Canal Satélite Digital.

The group accuses the government of trying to obstruct the project in order to favour a rival "digital platform" led by the Telefónica telecommunications group, alongside the state TVE broadcasting authority, Televisa of Mexico and smaller shareholders (including El Mundo).

Canal Satélite Digital has protested to Brussels about government measures to regulate the new decoders. Canal Plus has meanwhile been hit by a sharp rise in its value-added tax rate from 7 to 16 per cent, which it has decided to pass on only in part to its customers.

Prisa said yesterday the draft law amounted to "de facto expropriation" of football broadcasting rights. The rights for most of Spain's top clubs are currently in the hands of Audiovisal Sport, a joint venture between Sogecable, the private sector Antene 3 television company, and TV3, the Catalan regional broadcaster. "The government could have waited for a European rule," Prisa said.

Under the draft plan, companies would be obliged to share broadcasting rights, subject to payment. The government-chaired sports council would determine which matches were of "general interest" and should be transmitted on free TV channels. The law would also prevent pay-TV channels from monopolising all league or cup matches on any one day.

Battle over Italian health spas heats up

By Robert Graham in Rome

A discreet four-year-old battle to control Italy's 13 publicly-owned health spas is about to be resolved with important consequences for a health and tourist business generating some L1,500bn ($923.6m) a year.

Some, such as Montecatini in Tuscany, which has 240 hotels and spa facilities dating back to 1756, are significant tourist attractions. Others continue a tradition of the public bath dating back to Roman times, exploiting Italy's abundant supply of hot springs and mineral-rich waters.

Their common feature of late has been their poor financial state, with most well in the red. Losses have been gradually cut from L17bn in 1994 to L3.5bn last year, but little new investment has been made.

Ever since Eagat, the public body running them, was placed in liquidation 20 years ago their future has been precarious. This led to them being absorbed and forgotten in Efim, a state holding company, and when this was placed in liquidation in 1992 control passed to Iri, the main state holding company.

There have been various moves to privatise them. But local authorities have fought to maintain control over them, given their importance to regional economies and employment. In addition to direct employment of 3,000, it is estimated that the 910 hotels and 4,600 businesses linked to the spas mean that more than 27,000 jobs are indirectly dependent on them.

Now an article inserted into a law reforming the public administration allows for transfer of their ownership. Control will pass to the appropriate local authorities, which will have 90 days to prepare a plan for the treasury's approval to return the spas to profit and where appropriate bring in private capital or management skills.

A big slice of business was removed from the spas in 1993 when the government ended the right of public sector employees to take 12 days a year in a spa in addition to their normal holidays.

"They used to go to the sea and mountains in July and August, and then come to the spas in September, which was the busiest month," says Mr Piero Gentili, chief executive of Montecatini, where 65 per cent of customers are now private.

Three of the 13 spas are in Tuscany, and the authorities there are anxious to retain control. But the Italian treasury is encouraging outside capital and manegemenet skills.

Health tourism is seen as having an excellent future, especially because most spas are in areas which also have many cultural attractions.

Bodyguard in Russia poll win

By John Thornhill in Moscow

The former bodyguard of Russian president Boris Yeltsin has won the parliamentary by-election in Tula, giving him a national platform to air more compromising materials about his enemies in the Kremlin.

In an election campaign, bizarre even by Russian standards, Mr Alexander Korzhakov won 26 per cent of the vote defeating a field of colourful candidates including Mr Anatoly Karpov, the former world chess champion, who came third.

The by-election was called in the military town, just south of Moscow, after the previous MP, Mr Alexander Lebed, resigned his seat to enter the Kremlin last summer. Mr Lebed, who remains extremely popular in Tula, originally backed Mr Korzhakov as his chosen successor.

Mr Korzhakov, once eulogised by Mr Yeltsin as a simple man and a close friend before being sacked last summer for interfering in politics, campaigned in Tula as a *gosudarstvennik*, a believer in a strong and nationally assertive state.

The result was seen as a stinging rebuff to Mr Korzhakov's opponents in the Kremlin who have barely concealed their antipathy towards the former KGB general.

They accuse him of corruption and anti-democratic tendencies and have suggested he only wanted to become a deputy to win immunity from criminal prosecution.

In turn, Mr Korzhakov has targeted his fire against Mr Anatoly Chubais, the unpopular head of the presidential administration, whom he has lebelled as "Russia's regent".

Mr Korzhakov has also fallen out with Mr Yeltsin and is suing him for defamation.

EUROPEAN NEWS DIGEST

Eta blamed for killings

In an escalation of terrorist attacks in Spain, a supreme court magistrate was shot dead in Madrid yesterday, hours after a car bomb in the southern city of Granada killed one person and injured several others. The government blamed the Basque Eta group for both killings, which brought to four the number of terrorist deaths so far this year.

Mr Jaime Mayor Oreja, interior minister, broke off a visit to Israel after the early morning car bomb, which hit a military minibus – a repeat of a similar attack in Córdoba last May. The man killed by the car bomb was a civilian hairdresser employed at an airbase.

The murder of Judge Rafael Martínez Emperador came as a riposte to the supreme court after summonses against leaders of the radical Basque Herri Batasuna party over their support for Eta. One of the party officials, Mr Eugenio Aramburu, was found hanged at his home yesterday hours before his summons appointment.

Violent protests broke out in the Basque region over the weekend after an Eta convict was also found hanged in a jail outside Madrid. *David White, Madrid*

Priebke to face military court

Italy's supreme court ruled yesterday that a military court should hear the re-trial of former Nazi SS captain Erich Priebke for alleged war crimes. Mr Priebke, 83, is accused of complicity in the massacre of 335 men and boys at the Ardeatine Caves near Rome on March 24, 1944.

The court had been asked to rule on which branch of the judiciary should hear the case after military and civilian judicial authorities concluded they did not have jurisdiction.

At his first trial last year, a military court found Mr Priebke guilty but freed him, citing extenuating circumstances. The verdict was quashed on appeal last October and Mr Priebke is still being held in detention at a military prison in Rome. *Reuter, Rome*

Cyprus eases investment curbs

The Cypriot central bank has said it is easing restrictions on foreign investment, part of a liberalisation of investment laws to support the island's application to join the European Union.

Bank officials said that foreign investment of up to 100 per cent would be allowed in secondary industries, retail and wholesale trading, and the service sector. The new policy relaxes a law that in most cases put a 49 per cent ceiling on foreign ownership in these areas and barred foreigners from other sectors.

In retail and wholesale trading, investors would need to put in at least C£300,000 ($600,000) to qualify for owning more than 49 per cent and at least C£50,000 in the service sector. Foreigners will have to apply for permission to invest in finance and insurance companies, banks and publications. Previously no foreign investment was allowed in these sectors. *Reuter, Nicosia*

Dismay at far-right win

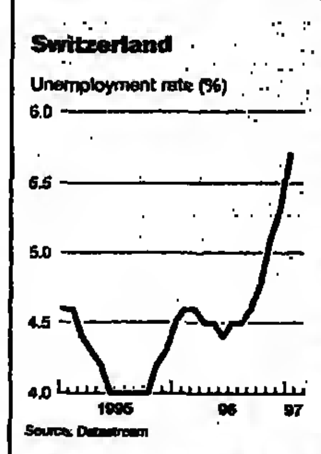
The French political establishment was yesterday torn with recrimination and dismay after the far-right National Front strode to victory in municipal elections in the town of Vitrolles, near Marseilles.

Sunday night's win – by 52.5 per cent to 47.5 per cent in a run-off between Front candidate Mrs Catherine Mégret and Mr Jean-Jacques Anglade, the Socialist mayor – came in spite of calls for a national mobilisation against Mr Jean-Marie Le Pen's party. Members of France's governing centre-right coalition sought to play down the long-term significance of the result. Bot Mr Philippe Séguin, president of the national assembly, said the result was "clearly alarming". *David Owen, Paris*

Editorial comment, Page 17

ECONOMIC WATCH

Rise in Swiss jobless rate



Switzerland's unemployment figures topped the 200,000 mark in January for the first time since the 1930s. The country, which had full employment for more than four decades until 1991, reported yesterday that its rate of unemployment in January had risen to 205,501, or 5.7 per cent of the workforce, compared with 164,656, or 4.5 per cent, a year ago. Switzerland's unemployment level is still one of the lowest in Europe, and less than half that of Germany and France, but the rate of increase is causing concern in a country which as recently as 1990 had only 16,000 unemployed.

The Swiss economy is entering its seventh year of stagnation. The Swiss National Bank has cut interest rates and the recent sharp drop in the value of the Swiss Franc is expected to lead to an upturn in the economy before the end of the year. *William Hall, Zurich*

■ The European Union sentiment index rose to 100.3 in January from 99.8 in December, showing improving economic expectations among consumers and industry but a fall in the construction sector.

■ Norway's consumer price index was up 3 per cent year-on-year in January and up 0.8 per cent from December.

Bulgaria edges back from economic abyss

Fears of civil strife prompted agreement to hold a general election, write **Anthony Robinson and Theodor Troev**

Last week's decision by Bulgaria's ruling Socialist party to heed President Petar Stoyanov's warning of looming civil war and give up its attempt to form a new government looks like the first small victory in the fight to pull the country back from the brink of economic and financial collapse.

Most of the credit goes to two men – the recently elected president and Mr Nikolai Dobrev, the interior minister and former Socialist prime minister designate.

Mr Dobrev defied the Marxist faction hardliners in his party who wanted him to form a new Socialist government at any cost. But he knew the danger of uncontrollable civil disorder after 30 days of peaceful demonstrations, against a backdrop of hyper-inflation, petrol shortages and general disappearance of goods from the shops.

His agreement to give up his party's mandate to form a new government allowed political animosities to be channelled into the ritualised battles of an early general election campaign.

It was a hard choice that might not have been made if Mr Stoyanov had not quickly established himself as a relatively neutral figure.

Elected on the ticket of the opposition Union of Democratic Forces (UDF), he is clearly sympathetic to the protesters. But in the few weeks since his inauguration, the 44-year-old lawyer has built a new image, taking a conciliatory and moderate stance asking all sides for restraint in the national interest.

But whether Bulgaria's politicians and political parties are capable of leading Bulgaria out of the economic wilderness is still an open question. The depth of polarisation became clear as soon as UDF leaders came back from their victory celebrations and announced they wanted to prepare for an IMF-backed currency board system, a tight monetary regime aimed at curbing inflation.

The Socialist party, which had earlier pleaded with the UDF for parliamentary co-operation, saw no political mileage in helping the UDF gain electoral support. A currency board regime is seen as a pre-condition for help from international financial institutions and an inflow of foreign direct investment into the hundreds of state enterprises now up for privatisation.

The economic origins of the Bulgarian crisis lie in the failure of successive governments to restructure a Soviet-style economy which did 80 per cent of its trade with Comecon, the Russian-controlled trade bloc which existed prior to 1989.

Mr Kancho Stoichev, a leading political analyst, believes the political roots of the crisis lie in the failure of the late Mr Andrei Lukanov to split the former communist party in 1990 shortly after the Gorbachev-style reformist pushed aside Mr Todor Zhivkov, the wily communist dictator, and formed the Socialist party from the wreckage of communism.

By keeping all factions within the Socialist party umbrella the BSP retained power directly or indirectly for six of the last seven years. But this blocked the emergence of a modern social democratic party – as happened in Hungary and Poland – while ensuring that few people in the opposition had any administrative or political experience.

The long-delayed reshuffling of the political cards is now under way. The Socialist party has started to disintegrate, with the defection of "euro-leftists" and social democrats.

But the biggest question mark hangs over the UDF, the main opposition grouping, and how much it has learnt in the frustrating years of opposition.

Much depends on whether Mr Ivan Kostov, the UDF leader, who was finance minister in the 1992 UDF government led by Mr Philip Dimitrov, will put together a more efficient administration if the UDF wins the April elections.

The UDF has some capable people, including Mr Stefan Sofianski, the efficient and dynamic mayor of Sofia (who is tipped to head a caretaker government until the elections), and Mr Alexander Boshkov, who founded the privatisation agency. But it remains united more by opposition to the Socialists than by adherence to a common political programme.

Mr Kostov is trying to transform the UDF into a more structured party from a loose coalition of opposition groups which is still regarded with suspicion by many in the business community who see it as a collection of inexperienced intellectuals.

In the recent presidential elections millions either abstained or voted for Mr George Ganchev, the populist leader of the so-called Bulgarian Business Bloc. His and other smaller parties could well split the opposition vote, leading to the emergence of a weak coalition government.

That is likely to make life extremely difficult for whoever wins the forthcoming elections. One of the toughest decisions could be having to tell many of the 16,000 workers of the Soviet-era Kremikovtsi steel plant north of Sofia (and others from dozens of loss-making plants like it) that they no longer have a job.

Under a currency board regime there will be no scope for the government to continue to bail out loss-making companies.

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NEWS: EUROPE

More companies switch on to euro

Germans best prepared for single currency followed by British, says survey

By Wolfgang Münchau, Economics Correspondent

Preparing for Emu

A large number of European companies are planning to switch over to the single European currency immediately after its scheduled introduction in January 1999, according to a survey* by IBM, the computer and information technology company.

More than a third of all companies questioned said they expected to keep their internal accounts and make inter-company payments in the euro right from the start.

In Germany, 64 per cent of companies want to switch over as soon as possible. In Britain, the proportion was only 18 per cent – the lowest of any EU country.

The survey found the Germans are the best prepared for the single currency, followed by British and French companies, with Spanish and Italian companies trailing.

Responses from finance directors and treasurers of Europe's largest 200 companies showed a north-south divide in terms of how companies are preparing for the single currency.

"There is a learning curve. The later you leave it, the more you run the risk of taking panic measures," said Mr John Downe, head of IBM's single currency unit. "If you decide you want to centralise your treasury, or centralise your banking relationships, this is not something you want to do in a hurry."

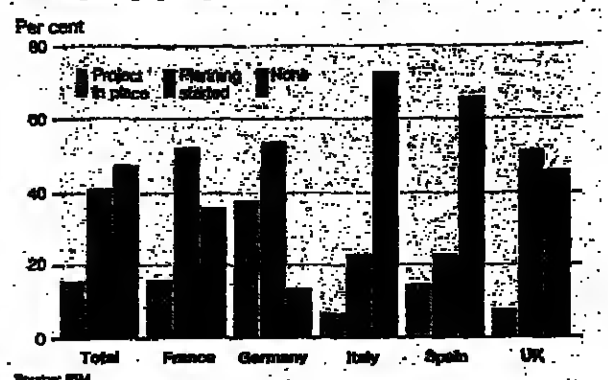
Most of the survey focused on banking. In Germany, more than 77 per cent of companies said they had been contacted by their banks about the transition – in Italy only 27 per cent had been contacted.

Mr Downe said the corporate sector's readiness for economic monetary union bore little relationship to their home country's chances of qualifying under the Maastricht criteria. Companies with large exports will need to adjust their treasury operations even if their home country stays outside the single currency.

Mr Downe predicted that some companies will wait until the last minute before preparing for Emu, but banks would stand to lose customers if they did not take sufficient interest in their customers' needs.

Smaller banks could lose out. Among the large companies surveyed, 38 per cent expect to reduce the number of banks they use – another indication that Emu is likely to accelerate the consolidation process in the European banking industry.

Company preparations for Emu



Source: IBM

*IBM, Competing in the Euro-Zone. Implications for Corporation Banking: available from Laura Donaldson or Annie Hawkins: 0171-202 3000.

Little recovery seen in Italy's Emu prospects

By Edward Luce

Market professionals have marked down significantly in the last two weeks Italy's prospects of being among the first members of Europe's planned single currency in 1999.

But last week's reports that European officials were considering moves to delay Italy's membership until 2000 or 2001 had little impact on that assessment, according to J P Morgan's weekly economic monetary union calculator.

The calculator, which is based on the swap market's expectations of the interest rate gap between Germany and Italy after 1999, showed Italy's chances of joining the first round of Emu in 1999 down 9 percentage points in the last fortnight to 63 per cent – but the rating was two points up on last week.

"There were a lot of rumours in January that Italy would not be a founding member of Emu," said Mr Avinash Persaud, head of currency research at J P Morgan. "But last week's report and the denial by the Italian government [that it would accept a delay] helped stabilise the markets a little."

Italy's performance on the bond market has also suffered in recent weeks, with Italian bonds showing a negative return of 5.5 per cent in US dollar terms, according to the Salomon Brothers world government bond index.

This contrasts sharply with Italy's record performance of 27 per cent growth in 1996.

Economists said Italy's recent performance heralded the end of the bond market's 12-month euphoria over its chances of joining Emu in 1999. But they are divided on whether it marks the start of a period of divergence between Italy and the core European bond markets, or simply a pause for breath.

Italian bonds narrowed by 450 basis points (one basis point is a hundredth of a percentage point) over 10-year German bonds in 1996.

But they have fluctuated uneasily in the last month in response to German scepticism over Italy's chances of meeting the Maastricht convergence criteria on time.

"There are very strong reasons to be cautious on Italy," said Mr Robert Prior, European economist at HSBC James Capel in London. "The market is entering a period of uncertainty after last year's dramatic performance."

Traders said that if Italy accepted a guarantee to join the second wave of Emu in 2000 or 2001 it could trigger a political backlash in Italy.

"The problem with a guarantee is that it would have to be verbal rather than formal because Italy would still have to meet the Emu convergence criteria," said Ms Ilaria Fornari, Italian economist at J P Morgan in Milan.

"If there were some kind of an informal guarantee it is not clear that voters would tolerate more fiscal pain when the reward has been delayed by 18 months."

Economists are also divided on the effect that Italy's diminished prospects will have on other European "peripherals" such as Spain in spite of the fact that Spain's chances of joining Emu are rated 11 per cent higher than Italy under the J P Morgan calculator.

Emu: who's going to make it

J P Morgan Calculator 10/2/97

	Yesterday	1 week ago	4 weeks ago
Germany	100%	100%	100%
France	100%	100%	100%
Belgium	100%	100%	100%
Spain	74%	75%	81%
Sweden	66%	63%	72%
Italy	63%	61%	72%
UK	45%	36%	47%
Denmark	39%	48%	54%

The Emu calculator provides a weekly snapshot of the probabilities which the financial markets place on selected countries being willing and able to join Germany in forming a single European currency in 1999. Currency strategists at investment bank J P Morgan calculate the probabilities from the interest rate swaps market, in which investors swap floating rate interest payments on an investment for fixed-rate ones. Countries are selected if they have a liquid swaps market which allows comparable probabilities to be calculated. The Netherlands is seen as being 100% certain of joining Emu. Finland, Ireland and Portugal will be added to the Emu calculator in the coming weeks.

Calculations on rounding need to square up

By George Graham, Banking Correspondent

For months, rounding has featured on every big banking organisation's checklist as one of the issues that needed to be decided most urgently in the preparations for European monetary union. For the Bank of England, rounding even achieved the status of an "overarching issue".

But while everyone wanted a decision on how many digits should be used when converting participating currencies into euros, and when numbers should be rounded up or down, the debate has been tepid.

"It's like deciding whether you drive on the left or the right: it doesn't really matter so long as everybody does the same thing," said Mr Colin Stringer, a managing consultant specialising in Emu with Hoskyns Cap Gemini Sogeti.

That result should be assured by the draft regulation on the legal status of the euro which was proposed by the European Commission and discussed at the Dublin summit last year. The regulation has not yet been finalised, but its elements dealing with rounding are not expected to be changed.

The provisional text provides for conversion rates to be expressed in the form of one euro to the appropriate number of each national currency, expressed with six significant digits. For the pound – if the UK were to adopt the single currency – the rate might be something like £0.736757 to the euro. For the French franc it would be something like FFr6.52634 to the euro, and for the Italian lira, along the lines of L1,900.32 to the euro.

These conversion rates must be used in full when making a calculation. Once you have done the conversion, however, you should round up or down to the nearest cent or penny. However, some bankers argue that four digits would be easier to remember.

"If you're doing conversions on a calculator and always having to key in a six-digit exchange rate, you are likely to key it in wrong," said one London banker. "The exchange rates are going to be adopted in a fairly arbitrary way, so you might as well just go to three or four digits, where there's much less likelihood of error."

If you are converting from one national currency to another, you must convert into euro and then out again, rather than directly using a cross exchange rate. But the intermediate amount in euros can be rounded, to not less than three decimal places. The official six-digit conversion rates will obviously apply only to currencies which sign up for Emu. However, the formula is enshrined in a regulation that will apply to the European Union. Banks in countries which stay out of Emu will still have to use this formula.

Importantly, the draft regulation stipulates that you must use the official rates for conversions in both directions. You may not use an inverse rate, since this would end up with approximations and allow errors to creep in.

In other words, to convert euros to francs you must multiply by 6.52634; to convert francs to euros you must divide by 6.52634, not multiply by 0.153225. For FFr1m, the result would be 24 cents out using the inverse method, and with larger sums inaccuracies would increase sharply.

The result should be a formula everyone can live with.

Mandela reclaims moral high ground

And out-manoeuvres opposition – but the markets might think he is putting politics before economics, writes **Roger Matthews**

Currency markets, it seems, do not mind a bit of mayhem. The South African rand hit a six-month high against the dollar last week, and went on climbing even after five people were killed in exchanges of fire between protesters and police during a day of serious rioting in two suburbs of Johannesburg.

But then President Nelson Mandela is still at the helm. Of course, his presence did not prevent a fall of more than 25 per cent in the rand's value last year, hut when it comes to soothing troubled political waters he has no equal.

Not only does he soothe, but he steals. His speech at the opening session of parliament on Friday effortlessly reinforced his occupation of South Africa's moral high ground, while robbing opposition parties of all opportunity to join him, except by invitation. It was time for all good men, and women, to come to the aid of the nation, said Mr Mandela, having already held out the prospect of cabinet office for the leaders of the opposition Pan Africanist Congress (PAC) and the Democratic party (DP). The New Patriotism advocated hy Mr Mandela was characterised by "a loyal opposition that plays a full part in the efforts to huild a better life for all".

The timing is scarely accidental. It is little more than two years to the next general election, and 11 months before Mr Mandela steps down as leader of the African National Congress. The opposition might be expected to be sharpening its claws, particularly as the ANC now has a track record in government to defend. Instead the PAC and the DP are in part flattered, and certainly somewhat disarmed, as is Chief Mangosuthu Buthelezi, leader of the mainly-Zulu Inkatha Freedom party (IFP).

He is still basking in the glory of having been appointed acting president for 24 hours while Mr Mandela was away. Any hint of even thinking about pulling the IFP out of the government coalition in the next few months would appear at best churlish.

It would look even odder if on the way out he was to pass Mr Stanley Mogoba, the new leader of the PAC, and Mr Tony Leon, the DP leader, on the way in. Neither party has much in the way of electoral support – they did not even garner 3 per cent of the vote between them in the 1994 election – hut the overture to them is a powerful symhol of the agenda Mr Mandela has set.

Meanwhile, the National party, which, since it withdrew from the government last year, has been talking about creating an opposition coalition hased on shared interests, is left with virtually no one to talk to, let alone co-operate with.

But Mr Mandela is not going to leave it there. His ministers are busy spreading the word about the fragility of the new democracy. Some of these comments are aimed at the South African Communist party and the Congress of South African Trade Unions, the ANC's two most important allies. They have become increasingly restive about the government's economic strategy announced last June. But there, too, an understanding is in the offing.

On Friday, Mr Mandela merely restated government policy on restructuring the stata sector. He made no fresh pledges on privatisation, as desired hy many industrialists and economists. Neither did he offer faster progress towards the abolition of exchange controls. Bnt to the extent Mr Mandela stuck to his guns on these issues, there is likely to be some trade-off on new legislation covering minimum conditions of employment, an issue on which the unions have made strong demands. In particular, they want the government to concede the goal of a 40-hour working week within five years in the face of powerful opposition from employers. It is unlikely the government will fully concede, but enongh will be on offer to ensure the relationship between the ANC and the unlons endures.

Just about the only person not to he invited to hold hands with the ANC is one of its erstwhile favourite sons, Mr Bantu Holomisa, the former leader of the Transkei homeland. Kicked out of the ANC last year for alleged indiscipline, Mr Holomisa is about to discover whether there is a political future outside an organisation he pledged never to leave. Mr Holomisa claims to have the support of other ANC defactors, and a nascent party which spans eight of the nine provinces. But he has no funding, and a party without money will struggle to survive.

Barring accidents, Mr Mandela's theme of "inclusivity" will define the ANC's political message until after the 1999 elections. But what it cannot forestall is another assault on the rand should speculators sense his political goals take precedence over radical economic measures needed to achieve tha government's growth target of 6 per cent by 2000.

Mandela: soothing South Africa's troubled political waters – in which art he has no equal — Tony Andrews

Israel agonises over presence in south Lebanon

By Judy Dempsey in Jerusalem

Syria and Lebanon will top the agenda of Mr Benjamin Netanyahu, Israel's prime minister, when he meets US President Bill Clinton on Thursday.

The issue of Israel's presence in the south Lebanon security zone grew in urgency after last week's crash of two helicopters beading for the zone in which 73 Israeli soldiers were killed.

Last week a group of Israeli politicians from across the political spectrum met to discuss plans for a unilateral withdrawal from the buffer zone carved out by Israel in 1985.

Analysts believe Israelis are beginning to question the price for maintaining the security zone.

Last week Mr Avigdor Kahalani, Israel's public security minister, said soldiers sent to protect northern Israel from Hizbollah raids were like "sitting ducks.

"The situation cannot continue there. A decision must be made... I think the IDF [Israeli Defence Forces] should unilaterally withdraw from Lebanon."

Mr Kahalani called for the establishment of a multinational force in southern Lebanon. Last year 26 Israeli soldiers died in the region.

But Mr Netanyahu rejected such moves last weekend.

"We are not in Lebanon to rule it but to ensure security for Israel's northern settlements. As long as this aim obliges us to remain in Lebanon, that is the way we will continue to act." He also called for an end to any talk about unilateral withdrawal.

The argument against withdrawal by Israel is that it would leave a vacnum in the region which might be filled by Iran-backed and Syrian-licensed Hizbollah guerrillas, allowing them to continua their attacks against Israel.

But unilateral withdrawal could give Israel the moral high ground, even though it invaded Lebanon in the first place back in 1982.

It would also put Syria, the main power broker in Lebanon, on the spot, forcing it to decide where it stands in relation to Hizbollah. "You can assume all these things. But frankly, we have very few options," said Mr Martin Kramer, bead of the Dayan Centre for Middle East peace studies at Tel Aviv University.

"Unilateral withdrawal by Israel is not feasible for the simple fact that you cannot do anything without Syria."

An Israeli government official said: "One thing is sure. Syria remains one of the main power hrokers in the region. We can't do anything until Israel and Syria are ready to negotiate."

INTERNATIONAL NEWS DIGEST

Ramadan toll reaches 300

More than 30 people were killed in Algeria at the weekend, bringing the total death toll to more than 300 during the fasting month of Ramadan. Islamic extremists fighting the army-backed government since 1992 had pledged to step up their campaign during the month.

In one weekend incident 14 people were massacred by gunmen disguised as police in Eucalyptus, south-east of Algiers. Another six died in Oued Senane in the region of Medea, 100km south of Algiers, in what newspapers said was a settling of scores between rival Islamist groups.

Preparations for legislative elections promised for the first half of this year are continuing despite the violence. Today Mr Liamine Zeroual, Algerian president, is to begin consultations with opposition parties on setting up an electoral commission to prepare for the poll. Mr Zeroual has invited international observers to monitor the election, but has yet to set a date. After the killing two weeks ago of Mr Abdelhak Benhamouda, the union leader who was preparing to set up a "presidential" party ahead of elections, there was speculation thet the elections might be delayed. *Roula Khalaf, London, and agencies*

Botswana plans $200m surplus

Botswana, Africa's third largest mineral producer and one of the few African nations regularly to post a budget surplus, is likely to see a surplus of 763m pula ($214m) next year, the finance minister, Mr Festus Mogae, said yesterday. About 83 per cent of revenue would come from mining, customs tariffs and central bank reserves, Mr Mogae said, unveiling the annual budget. Revenue was expected to exceed 7.8bn pula ($2.19bn), with spending and lending reaching 7bn pula. Mr Mogae said income tax would be cut by 5 per cent, costing the state about 50m pula ($14m).

The largest share of the budget – about 25 per cent – was for education, with 20 per cent for development of land and housing. About 480m pula ($135m) would be spent on developing water reserves in the arid nation, while defence, the police and the office of President Quett Masire would receive 13 per cent of state spending. *AP, Gaborone, Botswana*

UN chief's options on Angola

United Nations Secretary-General Kofi Annan said yesterday he would recommend a two-month extension of the UN peacekeeping force in Angola if a government of national unity could be formed before the force's current mandate expires at the end of February. But if former Unita rebels designated to serve in the national unity government failed to arrive in the capital Luanda by tomorrow as scheduled, Mr Annan said he would recommend the Security Council extend the mandate of the UN force for only ona month, until March 31.

Establishment of the government, originally scheduled for January 25, was postponed after negotiations failed to find an acceptahle role for Unita leader Mr Jonas Savimbi, who still controls much of Angola, including diamond-rich areas.

Formation of a government of national unity and reconciliation would come after repeatedly delayed efforts to implement an agreement between the Angolan government and Unita that was signed in Lusaka, Zambia, in 1994, ending two decades of civil war in Angola. *Reuter, New York*

Call to strengthen rules on human rights and democracy

By Roula Khalaf

Human rights groups are urging parliaments of European Union member states to use ratification of Euro-Mediterranean association agreements to strengthen the accords' human rigbts and democracy clauses.

Last November, the EU agreed with 12 Middle Eastern and North African nations a common strategy to create free trade zones hy the year 2010 and promised to provide Ecu4.7bn ($5.46bn) in grants and a similar amount in soft loans over 1995-1999.

The agreements involve political commitments to respect human rigbts and democracy.

Article 2 says relations between the parties and all the provisions of the agreement shall be hased on "respect for human rights and democratic principles, which guides tbe internal and international policy and constitutes an essential element of this agreement".

However, the agreements tabled also include a "security clause", which appears to allow governments to take "any measures" necessary for protecting national security and maintaining law and order. Association agreements have been signed with Israel, Tunisia and Morocco. Negotiations are under way with Egypt, Lebanon and Jordan, and are set to begin in March with Algeria.

The signed agreements must be ratified hy individual parliaments of EU memher states before they are fully implemented. Several parliaments are now set to consider the Tunisian and Israeli agreements.

Some of the Mediterranean countries are accused of human rights ahuses and of restricting freedoms.

The EU association agreemeots are seen by observers as an opportunity to foster democracy and respect for human rights by tying aid to progress on these fronts.

But tbe inclusioo of the security clause, the vague language used, and the absence of a mechanism for scrutiny at the EU level raise questions about the effectiveness of Article 2.

Human rights groups, including US-based Human Rights Watch, the London-based Amnesty international and East Jerusalem-based Centre for International Human Rights Enforcement, are calling on EU member governments to ensure that Article 2 can be enforced.

"We have to give the human rights clause a concrete sense so it does not end up being words on paper," an Amnesty official said.

According to Human Rights Watch, routine ratification of these agreements signals tolerance towards human rights violations. A briefing paper by the human rights group urges members of parliaments in individual countries to seek clarification in the wording of the agreements.

This should be done, it says, by winning assurances that Article 2 supersedes the security clause and that the measures allowed under that clause should he consistent with obligations under international law.

Human Rights Watch is also seeking assurances from member governments that the European Commission will keep under review and report regularly on countries' compliance with their obligations and that it consider disrespect for international law and the principles of buman rights to be material hreaches of the association agreements.

TUESDAY FEBRUARY

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MEET THE NEW GOVERN... OF ROMANIA

TV's high spenders hit NZ coalition

By Terry Hall in Wellington

The ruling National-New Zealand First coalition is to reverse a decisioo to give NZ$4m (US$2.7m) to a Maori television station after disclosures of lavish spending on items including men's luxury underpants.

The reversal follows the revelation that Aotearoa Television Network (ATN) had picked up the bill for clothing booght by directors and former staff, including Mr Tukoroirangi Morgan, a New Zealand First MP.

The government yesterday said it was stopping funding for legal reasons.

The initial decision to provide money to ATN was an early act of the government, which relles oo snpport from New Zealaod First, many of whose MPs are of Maori origin.

Mr Morgan, a former journalist and ATN director, has become the snbject of ridicule after it was revealed be bad spent NZ$4,000 on clothes including a pair of NZ$89 (US$90) silk underpants. The bill was picked up by the station two weeks before last October's poll.

The underpants scandal is the latest to hit ATN, which provides a service designed to promote Maori language and customs. It bas also beeo hurt by revelations of the close ties of its directors with the so-called Winebox inquiry into tax evasion, which was originally raised in parliament by Mr Winston Peters, Maori leader of New Zealand First and deputy prime minister.

Mr Peters' allegations of tax irregularities led to an 18-month inquiry that has cost millions of dollars.

Opposition MPs are demanding Mr Morgan's resignation, which would further erode the government's slender majority.

While Mr Morgan has the full snpport of his colleagues, there are aow doubts wbether he will get the plum post of cbairing tbe Maori Affairs Select Committee. Both National and Labour bad backed him for the job before the underpants issue arose.

Peters: raised tax questions

Separatism casts shadow in China

By James Harding in Shanghai

Fresh reports emerged yesterday of violent clashes between separatists and Chinese police in the remote western province of Xinjiang, marking the resurgence of the nationalist agitation that China regards as the greatest threat to public order.

Government officials bave imposed a strict curfew in a Moslem town, following a riot last week in which as many as 10 people have heen reported killed and more injured.

News of the separatist troubles, the latest evidence of the problem Chinese officials describe as "splittism", follows a call last week hy the provincial government to battle unrest and underground religious activities.

The Xinjiang Daily, the official local Communist party newspaper, called on the inhabitants of the oil and mineral-rich province to "take a clear-cut stand in carrying out the resolute struggle against ethnic splittism and illegal religious activities."

In Xinjiang, the local Uighur people – ethnic Turks who migrated to the region from Mongolia in the ninth century and adopted Islam a century later – outnumber Han Chinese, the ethnic majority group in China, by about two to one.

More than 1,000 people rioted last Wednesday after a Chinese policeman attempted to arrest an Uighur man according to Reuters news agency.

"The scene attracted neighbours and onlookers and the crowd swelled to more than 1,000 and turned to rioting. The police were called in and fired teargas to dispel the crowd," said one Chinese resident quoted by the news agency.

The government has since imposed a curfew in Yining, a north-western town near China's border with Kazakhstan, where local television has broadcast orders for people to stay in their homes after dark.

Officials say the problem of Moslem separatism should not be overestimated. However, the swift response to the reports of rioting in Yining underscore the concern at national level over the separatist's potential threat.

Last year, central government authorities put separatist challenges at the top of the official assessment of risks to public order, ahead of urban poverty and crime and dissident activity.

Beijing has also increased the funds directed towards the development of Xinjiang Province, committing Yn12.2bn ($1.5bn) in 1996 for investment in infrastructure projects in the potentially troublesome region.

The long march, Page 16

Budget woes re-start Taiwan's stalled sale

A delayed 1989 privatisation programme gets a much-needed boost, writes Laura Tyson

Budgetary woes amid a sluggish economy and falling tax revenues are giving Taiwan's stalled privatisation programme a much-needed hoost.

Starting this year, some of the country's biggest and most profitable "crown jewels" will be put on the block, including the state power, petroleum and telecoms mooopolies, to help narrow a growing budget deficit.

These lumbering government-owned giants may have served the country well during its spectacular rise to prosperity hut they are seen hy the business community and government policy-makers alike as bobbling Taiwan's now mature economy from remaining competitive and growing further.

Public demands for better services – as well as private sector demands for a slice of the lucrative pie – have prompted plans to liberalise and privatise industries long dominated by the state.

Mr Lien Chan, the premier, recently announced a plan to sell state holdings as soon as possible in 34 government enterprises already scheduled for privatisation, and examine others to decide if they should be added to the list.

The plan follows an accord reached in December between the two leading political parties that the privatisation programme should be completed in five years.

"In principle, we are not opposed to eventually bringing the government stake in all 84 state-run enterprises down to zero," said Mr Chang Tao-hung, a privatisation specialist at the cabinet's Council for Economic Planning and Development, which drafted the plan. "But various government departments may have different opinions and we must consider other factors too, such as market cooditions."

Forty state enterprises have heen asked to review their operations and report to the cabinet. In April, the planning ministry will draw up a new, greatly expanded list of privatisation prospects.

The central government, plagued hy a shortfall in tax revenue, has forecast a deficit of T$87.6hn (US$3.2hn) for the financial year ending on June 30. State monopolies Taiwan Power, Chinese Petroleum, and Chung Hwa Telecom were added to the privatisation list last month.

To begin with, the government will sell a 30 per cent stake through a series of public offerings to Taiwan nationals, in which they may huy a limited number of shares at a deep discount. The scheme is designed to distribute shareholdings widely so that no single private business group ends up with a controlling stake. The government may also seek strategic investors through competitive bidding and hold international share offerings.

Many companies will be listed on the stock exchange and others on the over-the-counter, or unofficial, market. Procedures for bidding and share sales as well as capital market regulations should be revised to prevent big business groups from taking over state assets, as has happened with two recently privatised companies.

In December the government and opposition agreed to abolish the country's provincial government. This will speed up privatisation of the 34 enterprises controlled by the province, including Taiwan's three biggest banks and the alcohol and tobacco monopoly. The provincial assembly has long obstructed the privatisation of the three hanks by passing a law forhidding the province's stake from falling below 50 per cent.

Launched in 1989, the privatisation programme has been severely delayed, with 19 companies behind schedule. To date six companies have been privatised, hringing T$146hn into government coffers. These include China Steel, China Engineering, Yang Ming Marine and China Petrochemical Development, a spinoff from Chinese Petroleum, the state monopoly. Six others have heen shut down and the assets of two others sold off. In Taiwan a company is legally "privatised" once government holdings fall below 50 per cent, the initial goal of planners.

Opposition to reform has been bureaucratic and institutional rather than opposition to privatisation as a policy. State workers who may lose their jobs are mainly concerned with securing a good payout and the political opposition seeks to prevent state assets from falling under the control of the island's big business groups.

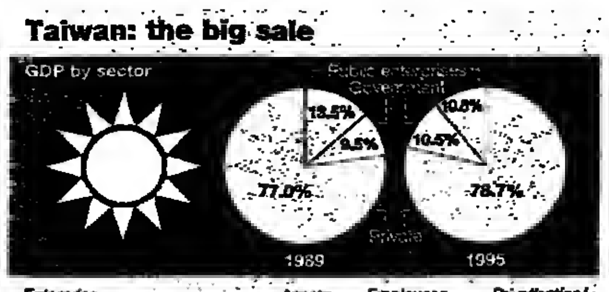
Liberalisation is under way in every industry loog protected, monopolised or dominated hy the state, including hanking, electricity, petroleum, telecommunications, posts and alcohol and tobacco. This is partly a result of Taiwan's desire to join the World Trade Organisation but mostly due to public demand for better services and more business opportunities since the country became prosperous and democratic in the last decade.

As aggressive private sector companies enter these industries, privatisation advocates say that state enterprises will find themselves handicapped and unable to compete effectively. Since alcohol and tobacco imports were opened in 1987, for example, the market share of local products fell from 94 per cent in 1986 to 55 per cent last year.

In the case of hanking, continued state dominance of the industry is holding back the development of the country's financial markets. Since 16 new banks were granted banking licences and hegan operations in 1992, the share of deposits held hy state hanks has fallen from 75 per cent to 64 per cent at the end of 1996.

Eventually all state companies will be considered for privatisation, including Taiwan Sugar, the sugar monopoly and diversified agricultural giant that is the country's biggest landholder, the railroad authority, water companies, printing companies, film companies, the Taipei mass transit agency and the Taipei public bus system.

Taiwan: the big sale



Enterprise	Assets (T$bn)	Employees	Privatisation/ share sale date
Taiwan Power	969.3	30,152	Within 5yrs
Chinese Petroleum	508.7	20,388	Within 5yrs
Chung Hwa Telecom	400.1	35,219	Within 5yrs
Taiwan Fertiliser	52.5	1,968	FY 1997
China Shipbuilding	38.2	5,749	FY 2001
Aerospace Industry Dev. Corp	81.3	4,350	FY 2000
Farmers Bank	414.4	2,037	FY 1997
Chiao Tung Bank	442.7	1,329	FY 1998
Taiwan Business Bank	703.4	5,333	FY 1998
First Commercial Bank	947.4	6,658	No timetable
Hua Nan Bank	922.9	6,112	No timetable
Chang Hwa Bank	855.3	6,518	No timetable
Taiwan Tobacco & Wine	133.1	12,968	FY 2001
Taiwan Rail	147.6	18,029	No timetable

Source: Government

ASIA-PACIFIC NEWS DIGEST

Reassurance for Japanese banks

Mr Hiroshi Mitsuzuka, Japan's finance minister, yesterday sought to reassure financial markets about the stability of the country's banking system and said his ministry would support the top 20 banks if they faced difficulties in disposing of non-performing loans.

He was responding to concerns raised hy a parliamentary budget committee last week that Nippon Credit Bank, one of the top 20 banks, may be in financial difficulty. The speculation sparked heavy selling in Tokyo of bank shares and prompted the government to reiterate assurances it would not let any of the top banks fail.

Nippon Credit Bank later dismissed the rumours. It is planning to reduce risk assets hy at least Y500bn ($4bn) and staffing hy about 10 per cent, bank officials said yesterday. Mr Mitsuzuka said Japan's financial institutions had made progress in "strenuous" efforts to dispose of bad loans. The 20 largest banks comprise 10 leading commercial, or city, banks; three long-term credit banks and seven trust banks. *Gwen Robinson, Tokyo*

Missile deal talks with US

Japan and the US yesterday edged closer to agreeing on development of an anti-ballistic missile, which critics have labelled a new "Star Wars" programme. Tokyo must decide by the middle of this year on its role in the "theatre missile defence system", a project which could cost from $30hn to up to three times that amount.

The US has been lobbying Tokyo to join the project, arguing that Japan enjoys the protection of the US nuclear umbrella and should contribute more to regional security. The Japanese government would be expected to bear at least half the costs of the project, say defence officials who completed the ninth round of joint talks in Tokyo yesterday. Tokyo has allocated about Y450m ($3.6m) in the fiscal year to March toward the study and has stepped up bilateral exchanges of defence-related technology with the US. *Gwen Robinson, Tokyo*

Australian immigration curb

Australia will run out of places for immigrants in several key categories within the next few months, it warned yesterday. "The number of visas available in some immigration cetegories will be reached in a matter of weeks," Mr Philip Ruddock, immigration minister, said. "In the affected categories, no more visas will be granted for people to come to Australia until places become available next financial year." *Reuter, Canberra*

HK prospects for Filipinos

Filipino migrant workers, the biggest group of overseas workers in Hong Kong, yesterday received an assurance from the territory's post-colonial leader on their future under Chinese rule. Filipinos, who mostly work as nannies and housemaids, have been concerned about their status after July 1, when Hong Kong reverts to Chinese sovereignty. The Speaker of the Philippines House of Representatives, Mr Jose de Venecia, said he had a constructive meeting with Mr Tung Chee-hwa, who will be Hong Kong's chief executive after the handover. *Louise Lucas, Hong Kong*

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	11.8	9.5	6.82	6.39	3.12
1988	4.2	5.4	7.65	8.84	3.61
1989	1.0	4.2	8.99	9.50	3.43
1990	3.6	5.5	8.08	8.55	3.80
1991	6.0	3.7	5.67	7.86	3.21
1992	12.4	2.0	3.75	7.00	2.95
1993	11.6	1.2	3.22	6.88	2.78
1994	6.2	1.4	4.67	7.08	2.86
1995	–0.2	1.8	5.93	6.57	2.61
1996	–3.2	4.9	5.41	6.43	2.15
1st qtr.1996	–2.3	5.2	5.30	5.89	2.21
2nd qtr.1996	–2.4	5.4	5.42	6.70	2.18
3rd qtr.1996	–3.8	4.4	5.48	6.77	2.20
4th qtr.1996	–4.6	4.8	5.45	8.35	2.02
February 1996	–2.5	5.1	5.15	5.81	2.17
March	–1.8	5.9	5.31	6.26	2.19
April	–2.3	5.8	5.38	9.50	2.20
May	–2.4	5.4	5.39	6.72	2.19
June	–2.4	5.0	5.48	6.90	2.17
July	–3.2	4.7	5.53	6.85	2.25
August	–3.9	4.4	5.42	6.62	2.19
September	–4.2	4.3	5.52	5.82	2.16
October	–4.9	4.4	5.43	6.54	2.08
November	–4.7	4.7	5.41	8.19	2.00
December	–4.3	4.9	5.51	6.29	1.99
January 1997			5.47	6.56	1.90

JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	10.5	11.5	4.15	4.64	0.55
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.6	5.31	5.19	0.48
1990	2.6	9.5	7.62	6.90	0.65
1991	5.2	2.0	7.21	6.40	0.75
1992	4.5	–0.4	4.28	5.24	1.00
1993	3.0	1.4	2.83	4.16	0.87
1994	5.4	2.9	2.12	4.20	0.78
1995	8.2	3.2	1.12	3.39	0.86
1996	13.8	3.2	0.48	3.03	0.75
1st qtr.1996	15.5	3.1	0.49	3.19	0.76
2nd qtr.1996	15.7	3.9	0.49	3.24	0.72
3rd qtr.1996	13.4	3.5	0.51	3.11	0.75
4th qtr.1996	10.7	3.2	0.42	2.62	0.77
February 1996	15.7	2.8	0.50	3.18	0.75
March	18.1	3.1	0.51	3.19	0.77
April	15.3	3.0	0.49	3.23	0.71
May	15.5	3.3	0.52	3.28	0.72
June	18.3	3.8	0.46	3.16	0.71
July	14.3	3.7	0.55	3.27	0.74
August	13.9	3.7	0.53	3.14	0.76
September	12.2	3.5	0.43	2.91	0.76
October	11.0	3.7	0.43	2.75	0.76
November	10.8	3.3	0.42	2.62	0.77
December	10.3	3.2	0.42	2.48	0.80
January 1997			0.44	2.48	0.86

GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	9.0	7.3	4.03	6.14	2.21
1988	9.9	8.4	4.34	6.48	2.61
1989	6.3	5.7	7.12	6.90	2.22
1990	4.5	4.5	8.49	9.66	2.11
1991	5.1	5.8	8.25	8.42	2.38
1992	7.1	8.2	8.52	7.80	2.45
1993	9.4	7.9	7.28	6.47	2.11
1994	9.6	9.0	5.36	6.86	1.77
1995	3.7	0.0	4.53	9.82	2.00
1996	10.5	7.2	3.31	6.21	1.61
1st qtr.1996	8.5	5.4	3.45	6.17	1.88
2nd qtr.1996	10.5	7.3	3.33	8.47	1.87
3rd qtr.1996	10.8	9.0	3.27	5.34	1.81
4th qtr.1996	11.0	8.1	3.18	5.89	1.68
February 1996	9.7	5.9	3.35	6.19	1.86
March	10.6	8.7	3.36	9.44	1.91
April	10.8	7.1	3.33	6.39	1.88
May	10.4	7.5	3.29	6.45	1.87
June	10.4	7.2	3.38	6.57	1.84
July	11.3	7.8	3.38	6.48	1.85
August	10.8	8.2	3.29	8.30	1.81
September	10.2	7.8	3.12	8.23	1.78
October	12.0	8.3	3.12	9.00	1.73
November	10.0	8.2	3.18	5.86	1.89
December	11.2	7.7	3.23	5.79	1.81
January 1997			3.14	5.79	1.55

FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	4.1	11.5	8.63	9.46	2.75
1988	3.9	9.3	7.94	8.08	3.69
1989	7.5	10.0	9.40	9.79	2.88
1990	3.8	9.3	10.32	9.92	3.19
1991	–4.9	2.4	9.62	9.03	3.58
1992	–0.2	5.4	10.36	8.57	3.55
1993	1.6	–2.2	8.55	6.75	3.21
1994	2.9	0.7	5.84	7.21	2.99
1995	8.4	4.7	6.60	7.53	3.17
1996			3.94	6.32	3.05
1st qtr.1996	7.5	3.3	4.47	6.55	3.10
2nd qtr.1996	7.1	0.7	3.96	6.51	3.02
3rd qtr.1996	5.0	–1.2	3.85	6.35	3.16
4th qtr.1996			3.48	5.85	2.92
February 1996	4.3	3.0	4.42	5.58	3.11
March	7.5	3.3	4.27	6.84	3.10
April	4.2	1.8	4.00	6.51	3.02
May	5.8	1.8	3.90	6.46	3.01
June	7.1	0.7	3.88	6.56	3.02
July	4.4	–0.1	3.84	6.46	3.15
August	6.6	–0.4	3.98	6.35	3.20
September	5.0	–1.2	3.75	6.24	3.13
October	5.0	–0.8	3.51	5.97	3.00
November	6.4	–0.8	3.47	5.84	2.90
December			3.44	5.79	2.85
January 1997			3.35	5.69	2.71

ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	10.4	9.6	11.32	10.58	1.94
1988	7.8	8.5	11.24	10.54	2.71
1989	7.1	9.3	12.42	11.61	2.46
1990	9.3	10.1	11.98	11.87	2.84
1991	7.3	8.5	11.83	13.20	3.45
1992	6.6	7.7	13.88	13.29	3.63
1993	4.7	7.4	10.22	11.23	2.35
1994	6.8	5.1	8.48	10.56	1.67
1995	0.2	0.4	10.88	12.22	1.72
1996	0.6	3.3	8.75	6.43	2.18
1st qtr.1996	–0.8	2.5	8.88	10.57	1.74
2nd qtr.1996	–0.7	3.6	6.01	8.89	2.24
3rd qtr.1996	1.4	4.1	8.59	9.38	2.49
4th qtr.1996	3.8	2.6	7.52	7.89	2.28
February 1996	–1.2	2.4	9.84	10.54	1.67
March	–1.8	2.3	9.80	10.71	1.90
April	–1.8	2.8	6.52	10.35	2.14
May	–0.5	3.8	8.84	9.72	2.25
June	0.2	4.4	8.65	8.59	2.33
July	0.6	4.3	8.66	8.45	2.45
August	1.8	4.4	6.70	9.50	2.48
September	1.9	3.7	8.39	6.16	2.53
October	3.2	3.5	7.98	8.34	2.33
November	3.8	2.7	7.39	7.72	2.28
December	4.4	2.3	7.18	7.58	2.24
January 1997			7.20	7.43	1.98

UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	4.7	15.2	9.77	8.69	3.60
1988	6.8	17.3	10.41	9.62	4.48
1989	5.9	17.6	13.86	10.11	4.36
1990	5.3	16.1	14.82	11.56	5.07
1991	2.4	7.8	11.58	10.08	4.97
1992	2.4	5.1	9.74	9.09	4.91
1993	4.9	3.5	5.99	7.40	4.01
1994	6.4	5.1	5.57	8.01	3.94
1995	5.9	7.2	6.77	8.16	4.15
1996	6.7	10.0	6.11	7.79	4.08
1st qtr.1996	5.8	10.1	6.28	7.72	4.15
2nd qtr.1996	6.5	8.9	6.06	8.06	4.08
3rd qtr.1996	7.2	9.5	5.83	7.85	4.13
4th qtr.1996	7.3	10.3	6.28	7.54	3.96
February 1996	6.2	10.0	6.24	7.72	4.06
March	5.5	9.8	6.14	9.05	4.19
April	5.8	10.0	6.09	8.05	4.02
May	6.4	9.9	8.12	8.09	4.08
June	7.4	9.9	5.94	8.05	4.15
July	7.1	9.1	5.80	7.91	4.21
August	7.5	9.5	5.84	7.82	4.12
September	7.0	10.0	5.87	7.81	4.06
October	7.5	10.8	8.02	7.51	3.93
November	7.4	10.8	6.40	7.56	4.01
December	7.0	8.5	6.42	7.55	3.95
January 1997	7.4		6.41	7.53	3.83

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

Setback in Punjab poll shows party's failure to restore image

Congress reels from fresh blow

By Mark Nicholson in New Delhi

An alliance of Sikh and Hiodu nationalist parties has dealt a sharp hlow to India's Congress party in elections in Punjab, where Congress boasted of restoring peace after separatist violence in the 1980s.

The alliance swept the state assembly poll in the northern Indian state on Friday, pruning the former Congress governmeot to a rump.

The Akali Dal, a moderate Sikh party, woo 75 seats, while 18 seats weot to the Bharatiya Jaoata party (BJP), its Hindu oatioaalist electoral ally in the state and India's main national opposition party.

Congress won just 14 seats, after governing the state with 87 seats since elections in 1992 which the Akali Dal boycotted. Smaller parties and independents shared the remaining seats.

The result showed a continued weakening of support for Congress after its worst geoeral electioo performance last May and other electoral setbacks at state level earlier. Congress now forms ooly ooe government in a major Indian state, in Orissa.

It was a direct political rebuff, as Congress had claimed that the restoration of relative peace aod the staging of the 1992 elections in Punjah, after years of Sikh separatist violence, were among the proudest achievements of its former national government under the then prime minister, Mr P.V. Narasimha Rao.

But political analysts said voters in Punjab, one of India's richest agricultural states, had rejected what was perceived as a divided and corrupt state administration.

The result was also interpreted as indicating that Mr Sitaram Kesri, who succeeded Mr Rao as national Congress leader last year, had failed in attempts to refurbish Congress's faded political appeal to minority groups, such as Sikhs, and to burnish a party image tarnished by corruption scandals.

"It's very, very serious for Congress," said Mr Mahesh Rangarajan, a political analyst and fellow of the Nehru Memorial Museum. "There remains the perception that this is a very corrupt party and that Mr Kesri has been unable to make a break with the past."

A recent survey by India Today magazine of 12,833 registered voters indicated Congress support bad slipped to just 26.7 per cent from 28 per cent last May. The same poll showed BJP support rising to 28 per cent from 23.5 per cent.

● Despite widespread perceptions of a slowdown, India's economy is on track to grow by a targeted 6.8 per cent in the fiscal year to March, slightly less than the 7.1 per cent in 1995-96, according to the central bank, writes Tony Tassell in Bombay. However, the bank expressed concern about a slowdown in industrial activity, high interest rates and a decline in export growth.

Dollar may be buoyed despite G7

By Gerard Baker in Washington

The G7 finance ministers' decision at the weekend to try to put a ceiling on the dollar's rapid rise produced *sighs of relief* amnng US manufacturers yesterday. But if they were hoping for signs of an early end to the US currency's advance, there was little evidence from the foreign exchange markets that they were about to get it.

US companies bave watched in alarm as the 7 per cent rise in the dollar's effective exchange rate in the past year has undermined the attractiveness of their products, both at home and abroad.

But as the currency markets appeared unmoved yesterday by the G7 pronouncement, economists warned that stopping the dollar in its tracks might not be easy.

In promulgating their new approach to currency levels at the weekend, the ministers drew attentioo to the "economic fundamentals", euggesting the underlying performance of the US economy indicated tbe dollar's rise had gone far enough.

The minieters clearly believed that the overriding fundamental was tbe US trade deficit. At around $100bn in the past two years, it remains substantial and as a result of the dollar's sharp rise, *seems certain to grow* further.

Mr Fred Bergsten, director of the Institute for International Economics in Wasbington, says every 1 per cent increase in tbe trade-weighted value of the dollar adds about $10bn to the trade deficit in about two years. That would suggest, other things being equal, that the dollar's rise in recent years could add as much as $70bn to the deficit in 1998.

"From the foreign trade angle, it is clear the dollar is getting into overvalued territory, and needs to be halted," says Mr Bergsten.

But while the size of current account deficits may indeed drive currency levels in the very long run, there is a bigger economic fundamental in the more immediate future that could continue pusbing tbe dollar higher.

The main force behind its rise in the past year has been not the deficit, which has remained high, but the US economic performance. Economic growth has averaged over 3.5 per cent since the first quarter of last year, compared witb a stagnant Japan and sluggish growth in continental Europe.

This has important implications for exchange rates. US assets are more ettractive; the surging stock market in particular has proved a powerful lure to foreign investors, wbo have bid up the dollar as a result.

More important, the strength of tbe economy has led many investors to anticipate a further appreciation of the currency. Strong growth in the US is eventually expected to force the Federal Reserve to raise ebort-term interest rates. Thnugb that may damage tbe attractiveness nf the stock market, it will enhance the overall appeal of US dollars in the ebort term, a critical *determinant of exchange* rate movements.

"It is hard to see that this is the point at which the dollar's rise should auddenly stop," says Mr Philip Suttle, economist at JP Morgan, the investment bank, in New York. "The G7 ministers seem to be arguing we have reacbed what should be a period of neutrality for the dollar, but *this late stage* of the business cycle is often associated with a further strengthening of the currency."

If that view prevails among investors, it suggests attempts to hold the dollar at bay with mere words will not be enough. When it was plunging on the foreign exchanges two years ago, central banks were forced to take action in the form of currency intervention to prop it up. They may soon be called into the fray again to force it back down.

Currencies, Page 27

Cardoso optimistic on economic reform

Brazil's president needs constitutional amendment so he can stand again, reports Stephen Fidler

President Fernando Henrique Cardoso of Brazil believes the likely success of a constitutional amendment to allow for the re-election of e sitting president *will provide the momentum to* secure crucial economic reforms this year.

In an interview in London, wbere be yesterday addressed a conference organised by the British government to promote investment in Latin America, he said he expected proposed reforms to the social security system and the government bureaucracy to be achieved by mid-year.

A fiscal reform to reallocate revenue, spending and tax collection responsibilities between the states and the federal government would be more difficult, but should be in place by the end of the year.

Tbe reforms are cnnsidered essential by many ecooomists to put governmeot financing oo a more stable footing, and thereby to stabilise inflation in single digits. "They have become easier after the political vote [nn re-election] by Congress," Mr Cardoso said. "We have the political will and we have a political majority in Congress, which may be more important."

The constitutional amendment to allow presidents and state governors to stand again has several legislative hurdles to clear, but passage is seen as almost certain. Mr Cardoso is expected to stand for a further four-year term next year.

Improved trade relations between Brazil and the European Union depended on lower European barriers to Brazilian farm products, *President Cardoso said yesterday*, Stephen Fidler reports.

He told a London conference organised by the UK government that Brazilian agricultural exports still faced obstacles in Europe, despite a framework agreement aimed at promoting trade between the EU and Mercosur, the customs union comprising Brazil, Argentina, Paraguay and Uruguay.

EU farm subsidies wiped out the comparative advantages of Brazilian products, he said.

Mr Cardoso said changes voted by the lower house of Congress last year to the administration's social eecurity proposals were "oot acceptable". He said he would ask the Senate, wbere the bill is now awaiting consideration, to restore important aspects of the administration's original proposals oo public service pensions.

These included a proposal to relate pension payouts to contributions (at present some public servants can draw a full pension after only 10-12 years of cootributions) and to stop early retirement of public servants on full pensions.

"It'e not acceptable to have retirement at 43 nr 45 years old. It means that in some sectors we have more people receiving pensions than active employees," be said.

The administrative reform sbould also be concluded by the end of the first half. A constitu*tional amendment* on *fiscal reform* would take longer because of its political implications, but sbould be in place by the year-end.

On questions of political reform, Mr Cardoso said Brazil needed to replace its electoral system of proportional representation, perhaps by one modelled along German lines. He indicated doubts about some current proposals to ensure greater party loyalty in Congress – a good thing "providing you have proper parties" and oot simply vehicles for political bosses.

However, he was cootent for Congress to provide most of the leadership in this area.

Brazil hosts a meeting of trade ministers in May as the oext stage in the process of creating a Free Trade Area of tbe Americas, to which leaders from the entire western hemispbere bar Cuba committed themselves to agree by 2005.

Mr Cardoso said he favoured the objective, but it would not be easy to achieve. The best way to go forward was to eocourage the enlargement of Mercosur, whicb groups Brazil with Argentina, Paraguay and Uruguay.

Chile and Bolivia bad already negotiated entry as free trade members, while Venezuela was currently in negotiations. He said President Alberto Fujimori of Peru also expressed an interest in joining at a meeting they held in London on Sunday.

"Now there are discussions witb Venezuela and Peru. This is not to oppose Nafta or bemispheric integration," he said, referring to the North American Free Trade Agreement between the US, Canada and Mexico.

He rejected calls from the US over the past week for Brazil to accelerate the opening of its markets, particularly in telecommunications and cars. "We are opening our market very, very quickly." Critics of the pace of Brazil'e market opening "don't understand wbat's going on in Brazil".

Brazil was expecting more than $10bn inveetment in its motor industry by the end of the century, by when it should be the world's fourth largest producer of cars and fifth most important exporter.

British Prime Minister John Major (left) welcomes President Cardoso to No 10 Downing Street yesterday Reuter

AMERICAN NEWS DIGEST

Last-ditch US air strike talks

Management and pilots at American Airlines, the second biggest US carrier, yesterday began talks in a final attempt to avert a strike that threatens to close the airline indefinitely on Saturday.

American Airlines accounts for about a fifth of the US travel market. A strike would disrupt air travel in the US so severely that many observers believe President Bill Clinton will eventually intervene.

The airline is offering the 9,000 pilots, represented by the Allied Pilots Association, pay rises totalling 5 per cent over the next four years, plus stock options. The union wants rises totalling 11 per cent, plus increased stock options.

Company and union representatives were yesterday holding talks in a Rhode Island hotel after being brought together by the National Mediation Board, but the two sides look far apart.

The pilots say they should be allowed to share in American Airlines' record profits: the company had net income of $1bn (£615m) last year, up from $162m the year before. The airline says its pilots are already the highest paid in the industry, with pay averaging $120,000 plus benefits last year. *Richard Tomkins, New York*

NY race case convictions

A US federal court yesterday convicted two black men of violating the civil rights of a Jewish scholar from Australia whn was fatally stabbed during 1991 racial rioting in New York.

Mr Lemrick Nelson Jr, the man accused of wielding the knife, cried and put his head on the table as the verdict was announced. There was no outward reaction from the other defendant, Mr Charles Price, who was accused of inciting a black mob to "get Jews".

The verdict was the climax of a trial that began four years and two months after Mr Nelson was acquitted by a state jury of *fatally stabbing* Yankel Rosenbaum, a Hasidic history student. Mr Price was accused of inciting a black crowd to "get Jews" to avenge the death of Gavin Cato, a 7-year-old black boy hit and killed by a car driven by a Jewish man. Mr Nelson, was accused of joining in the mob attack on Rosenbaum later, *causing "bodily* harm" that led to his death. *AP, New York*

Arteaga settling in

Ms Rosalia Arteaga, who was proclaimed temporary president of Ecuador on Sunday, has disconcerted politicians with statements suggesting that she sees her role as more than a stop-gap one.

Congress is due to meet this *afternoon to elect* an interim president who will see the country through national elections, with an elected president taking over in August 1998. However, Ms Arteaga said changes to the *constitution* would have to be made to provide for an interim president.

Ms Arteaga, who was vice president, replaced Mr Abdalá Bucaram after he was dismissed by Congress last week and has very little political backing of her own. It was generally assumed that she would *stay only for a few* days, but she is apparently choosing her cabinet and preparing policies.

Mr Bucaram, for his part, does not seem to accept that *he has* lost his office, and has referred to Ms Arteaga as if she were just standing in for him. *Sarita Kendall, Quito*

NEWS: WORLD TRADE

Trade chief appeals for telecom deal

By Frances Williams in Geneva

Mr Renato Ruggiero, director-general of the World Trade Organisation, warned yesterday that failure of talks on liberalising global telecoms trade to reach a deal by Saturday's deadline could hold back the industry's development and damage the WTO's credibility.

Appealing to WTO members to come forward with more and hetter offers for opening up their telecoms markets, he said the negotiations were "on the hrink" of concluding a deal that would make a vital contribution to preparing the world economy for the 21st century. "Failure cannot he an option at this stage," he told negotiators.

Three new offers were formally put forward yesterday, from Malaysia, Ghana and Grenada, bringing the total number of offers to 43 (the 15 European Union members counting as one).

The 57 countries involved represent more than 90 per cent of the $600bn world telecoms market, and trade officials said yesterday they expected several more offers to come in before the end of the week. Some 48 countries had made offers by the previous deadline last April when the US backed away from a global pact.

US negotiators are now conducting an assessment of whether they have the "critical mass" of quality offers Washington says it needs to guarantee unfettered foreign access to its own $200bn-plus telecoms market, the world's higgest.

EU officials said yesterday that the offers contained "a huge amount of market access" which should he secured in the WTO with a binding accord.

"Our view is that things are on track – hut we're waiting for the Americans," said one EU negotiator.

US officials have so far been studiously cantious in public. However, Mr Jeffrey Lang, deputy US trade representative, reportedly said yesterday that he was very encouraged hy the number of offers coming in, while warning that there was still work to be done.

Some important absentees from last year's negotiations have come forward this time, most notably Indonesia, Malaysia and South Africa. Nearly 20 others have improved on previous offers, for instance hy loosening restrictions on foreign investment or widening the range of services open to competition.

Still, US officials recently described as "very disappointing" Canada's refusal to allow majority foreign ownership of domestic telecoms companies and have criticised ownership and access restrictions in a number of developing countries.

Trade officials said yesterday that virtually all other issues in the talks had been resolved, with the important exception of how to treat future commercial affiliates of the intergovernmental satellite organisations, Intelsat and Inmarsat.

Washington is said to be concerned that these affiliates may have an unfair advantage in competing for US husiness. But US negotiators said yesterday they were looking at a solution they hoped would be acceptahle to trading partners.

Meanwhile, the EU and the US have settled an argument over an EU proposal to keep broadcasting out of the proposed deal, which would have excluded all telecoms services with a video component. The accord clarifies what counts as hroadcasting, which will he excluded, while video telecoms services such as video-conferencing will be covered.

Human rights record prompts action in US despite misgivings by business community

Congressmen call for Indonesia sanctions

By Nancy Dunne in Washington

US congressmen are to call for trade and economic sanctions against Indonesia because of its human rights record in East Timor, a former Portuguese colony.

Congressman Patrick Kennedy, a Rhode Island Democrat and co-chairman of the bipartisan House Portuguese-American caucus, this month plans to introduce a hill to restrict US companies doing business in Indonesia.

This follows imposition of a range of sanctions or threats against Cuba, Libya, Iran and Burma in the previous Congress, resulting in an outcry from US trading partners and the business community.

The furore over US sanctions prompted a review of sanctions and their impact. A subcommittee of the President's Export Council has been asked to evaluate unilateral sanctions and search for alternative policies. The Advisory Group on International Economic Policy, a private sector group which advises the State Department, has also begun a study of the impact of sanctions on US companies and jobs.

Business opposition to US sanctions has, however, done little to discourage the politics of sanctions. Congressman Kennedy, son of Senator Edward Kennedy, has pledged to "aid the repressed citizens" of East Timor, where more than 200,000 people have reportedly died since the Indonesian military occupation in 1975.

Ten per cent of Rhode Island's voters are of Portuguese descent. Mr Kennedy, set up the 20-member Portuguese-American caucus, which is expected to provide the hackbone of the sanctions effort. The congressman last week released a letter highlighting a recent State Department report which classified Indonesia as "one of the worst violators of human rights among the over 100 countries reviewed".

The debate over unilateral US sanctions is now being echoed in many state governments around the country. Legislation has heen introduced in the Massachusetts legislature which would restrict state procurement contracts, bar property purchases and deny pension fund investment to companias associated with operations in Indonesia.

Massachusetts last year approved similar sanctions denying state contracts to companies doing business in Burma. Japan and the EU are both threatening cases against the sanctions in the World Trade Organisations.

Last week the entire Massachusetts House delegation sent a letter to the Japanese prime minister, Mr Ryutaro Hashimoto, warning that it was not "appropriate" for Japan to involve itself in the internal affairs of Massachusetts. A similar letter is being prepared for the EU.

"There are a lot of things that violate the WTO; Japan and Europe are not violation-free," said Congressman Barney Frank, a Massachusetts Democrat. "We are saying to the Japanese – it is is wrong for you to use your discretion to press this thing."

The powerful US business lobby is already gearing up for a fight on new sanctions hills. "Although these measures are of noble intentions, they will not achieve their ultimate goal," said Mr Will Berry, president of the European-American Chamber of Commerce. "They will hurt husiness and they won't change the behaviour of the regime. That's what we've seen in Cuba, Iran, and Libya."

Indian power plan by Enron

By Mark Nicholson in New Delhi

Enron, the US energy group, has submitted to the Indian government an ambitious suggestion that it lead the development of a series of large power projects to provide up to 10,000 MW of new generating capacity.

The group said all the capacity could be fuelled hy liquefied natural gas (LNG) supplied from Enron's $3bn gas joint venture with Qatar.

The proposal, which emerged after a meeting between Ms Rehecca Mark, chief executive of Enron Development, and Mr H.D. Deve Gowda, India's prime minister, would represent a considerable commitment to the Indian market.

Ms Mark said Enron was offering to he the main developer on five to seven power projects of 1000 MW-2000 MW in north and south India.

It would aim to structure financial packages from commercial and multilateral lending institutions, while seeking Indian and foreign partners in the projects.

The company was not interested in a controlling or majority stake.

The group's existing $2.3bn power project in the west Indian town of Dabhol became the country's biggest and most notorious foreign investment after its cancellation in 1995 and resurrection last year by the state government of Maharashtra.

Enron said the latest plans had arisen partly out of its experience of pursuing clearances for its Dabhol power plant, and partly from subsequent interest from Indian and foreign companies.

The proposal would also depend on Enron's ahility to provide LNG from its joint venture with Qatar, from which Enron is planning to export up to 5m tonnes of liqnefied gas a year.

Ms Mark said projects to supply up to 10,000 MW of power, entailing total investments of around $10hn, would require long-term contracts for the supply of up to 10bn tonnes of LNG. Enron would soon start talks with Qatar on such LNG supplies.

Energy analysts in Delhi said Enron's proposal appeared to envisage "negotiated" projects, while Indian policy was to seek tenders for all hig power deals.

China's drinkers head for top of world beer league

By Gordon Cramb in Amsterdam

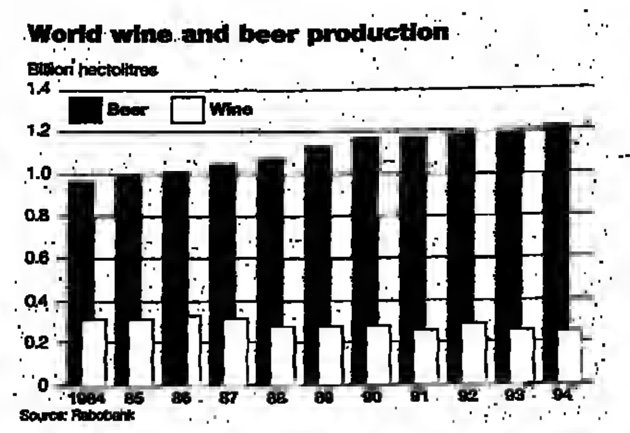
China is on conrse to overtake the US as the world's biggest beer market by 2000, according to a report by Rabohank, the Dutch agribusiness banking group.

It forecasts stagnation in developed countries' consumption, hut in a further illnstration of the growth taking place in emerging markets, it ranks South African Breweries as the world's fourth largest brewer by volume in 1995, up from eighth place four years earlier.

Its 36.3m hectolitre output places it ahead of companies snch as Japan's Kirin and behind only Anhenser Busch of the US, maker of Bndweiser; Heineken of the Netherlands; and Miller, part of the US Philip Morris group.

SAB has a domestic market growing at 4-5 per cent a year, in which it has a virtual monopoly. Apart from deals elsewhere in Africa, it is now the biggest brewer in Hungary and is moving into Poland and Romania. The Johannesburg group is also seeking to build a presence in China, where Rabobank analysts say beer demand is growing by a 10m-15m hectolitres a year.

World wine and beer production



Source: Rabobank

To keep np with this growth rate of at least 7 per cent, the investment needs of Chinese brewing are put at $800m-$1.42bn a year. Per capita consumption of 13 litres a year remains a third below the world average, although in urban areas it reaches 32 litres.

"However, the trend towards increased beer drinking is now passing from the cities to the large rural regions, which has significant implications for the growth potential for beer consumption overall, and for the prodnction, marketing and distribution strategies of the leading hrewers in this market," the report says.

Foreign joint ventures supply 28 per cent of the Chinese market, a share which should continne to rise.

But Rabobank warns that the premium segment will become very competitive, that consumers may opt for cheaper regional brands once the novelty wears off, and that the government is seeking to protect the interests of state brewing enterprises snch as Tsingtao, whosa domestic market share is down to 2 per cent.

World consnmption should reach 1.32bn hectolitres in 2000, rising 1.2 per cent a year. The national or regional nature of the business is changing as smaller producers in saturated western markets are bought up hy more efficient competitors, or develop international outlets to survive.

The top 15 companies in the sector accounted for at least 44 per cent of all beer production in 1995, np two percentage points in four years.

For midsized western companies, "growing competition from private-label beers in the hottom end of the market and the worldwide trend towards premium and speciality heers will force these brewers to make clear choices or reconsider their strategy in order to maintain profitable returns."

The World Beer Market; The National and Regional Beer Markets. Rabobank International Marketing, PO Box 17100, 3500 HG Utrecht, Netherlands. $150

NEWS: UK

Government secures future for Manchester centre after IRA bomb

$70m boost for bomb blast city

By Richard Wolffe in Manchester

The city of Manchester won £43m ($70m) of UK government funding yesterday to underpin an ambitious reconstruction package which is likely to attract up to £1bn of investment over the next three years.

Leaders of the city's reconstruction efforts said the government cash would secure the future of the city centre, which was devastated in June last year by a 1,500kg bomb planted by the Irish Republican army.

The northern England city's wide-ranging plans to reshape its central shopping streets have won substantial support from property developers and landowners since tbay were launched in November. Manchester Millennium, the task force leading the rebuilding, said its earlier forecasts of £500m overall investment were too conservative and that a wider area of the city centre was likely to benefit from the reconstruction.

The Marks and Spencar stores chain announced yesterday that it would begin building a replacement for its bomb-damaged Manchester store this summer. The new store, which won preliminary planning approval last week, will be the second largest M&S store in the world with more than 20,000 sq m of retailing space.

Announcing the government funding, Mr Michael Heseltine, deputy prime minister, said: "I think it is undoubtedly the case that for Manchester this must be an opportunity that has not been seen in the 20th century. It is on a par with the vision of the city fathers who did so much to create the great centre that Manchester boasts."

News Team, Manchester

Richard Leese, leader of Manchester City Council, with a model of the rebuilt city

The government cash – which comes on top of £20m of European Union funds already committed to the rebuilding – will be used for infrastructure projects. The task force plans to overhaul the city centre's transport system.

Mr Richard Leese, leader of Mancbester council and deputy chairman of the task force, said: "A matter of days after the IRA bomb we made a promise that we would not simply rebuild the city centre as it was and that we would take the opportunity to build a city centre that was fit for the 21st ceotury.

Manchester is oow applying for £20m from the Millennium Commission to build an arts and entertainment complex.

Irish executives toast mainland success

By John Murray Brown in London

Industrialists from the UK's Irish community gathered yesterday in a demonstration of the increasing self-confidence of the country's Irish business lobby.

Irish executives are adamant that, unlike Irisb Americans the US, they will steer clear of politics. But community leaders acknowledge that self-confidence would not have grown without the improvement in Anglo-Irisb relations in recent years.

Despite recent setbacks in the peace process, the Irish community in Britain is "raising its head above the parapet in ways not seen before", said Mr Gearoid O'Meachair, chairman of the Federation of Irish Societies, which supports Irish clubs and centres in Britain.

"As Irish in London we probably know more about living under the threat of terrorism than anyone in Cork or Limerick," said Mr O'Meachair.

Irish-born executives are now beading a number of UK's corporate flagships. Yesterday's gatbering included Mr Gerry Robinson, bead of Granada, the hotels group, and Mr Peter Sutherland, a former EU commissioner and director general of the World Trade Organisation who now chairs Goldman Sachs International.

More than half the 830,000 Irish people born in Britain are still engaged in unskilled work, according to the latest UK national census, taken in 1991. Since 1928 they have enjoyed reciprocal welfare rigbts as UK citizens in Ireland.

However, Mr David Hanna of Ireland's Industrial Development Authority says the community no longer consists of the archetypal immigrants of the 1950s, but is increasingly middle class.

A number of senior Irish-born businessmen have been strong advocates of UK participation in the European single currency. However, Irish officials said yesterday that it was wrong to assume, as has been done in the past, that the Irish in Britain vote for the main oppositioo Labour party.

Mr Richard Bruton, enterprise and employmeot minister in the Republic of Ireland, said Irish business had "contributed so much to the UK economy and the good name of our country".

A 450kg Irisb Republican Army bomb was defused by British Army experts in Northern Ireland last night. The device was left fully primed on a building site oear a crowded hotel in Strabane, near the border with the Republic of Ireland.

Police believe the bomb was intended for a passing police patrol, but said it would have caused beavy civilian loss of life if it had exploded.

The bomb attempt comes days after the IRA said it was not involved in a "pboney war" and that there was little hope of a ceasefire before the Britisb general election expected in May. The Strabane bomb was found after a warning call from the IRA.

Police said the explosives were held in three large drums with a firing pack and command wires attached. Earlier in the day a police officer was slightly injured wben an explosive device was thrown at a patrol in Pomeroy 30km to the south-west.

● The Northern Ireland Tourist Board is to join forces with Bord Failte, the Irisb Republic's tourism authority, to promote tbe island as a single destination for bolidaymakers from both sides of the border.

The joint marketing effort, unveiled today in Belfast, Northern Ireland's principal city, is the first time the two agencies have co-operated on an all-Ireland strategy in their domestic markets and follows last year's launch of Tourism Brand Ireland, a joint promotion aimed at attracting higher spending tourists.

Mr Roy Baillie, chief executive of NITB, said the arrangement should benefit Northern Ireland as up to 70 per cent of its tourist arrivals arrive through the republic – largely because of the lack of international flights to Belfast, the capital of Northern Ireland.

Tougher tax levy powers attacked

By Jim Kelly, Accountancy Correspondent

Tax experts yesterday described as "monstrous" new powers in the finance bill which would allow Customs & Excise officers to demand payment diract from banks wben customers have failed to pay tax hills.

The regulations, seen as a significant extension of Customs' powers, wonld allow Customs to go direct to any company or individual which owes money to a defaulting taxpayer to collect payment.

The measures, which would bring to England, Wales and Northern Ireland the principle of "arrestment" already found in Scotland, are contained in a previously unnoticed clanse in the bill.

A Customs official said: "This is designed to simplify and streamline procedures. We will only be able to get money from an account that is owed to us. We are trying to encourage compliance." Each case "would be evalnated separately".

Professor Roger Gregory, of accountants Deloitte & Tonche, said: "This is a new procedure – which involves no court bearings – and I am alarmed that they can do it. Our VAT experts believe tbis is monstrous. There appears to be no room for negotiation."

He said the proposed power applied to payments of valne-added tax, all dnties, insurance premium tax, and farm levies due to the European Union. He said it conld also mean tenants might face demands if their landlords defaulted.

Tax experts were also worried by parts of the proposed regulations whicb would allow Customs not only to go to third parties "indebted to a tax defaulter" but also to someone wbo "appears to be likely to become indebted". Prof Gregory also said that troubled companies conld be affected.

UK NEWS DIGEST

Lloyd's to give Names a boost

Lloyd's of London is to establisb a group to consider the effect of changes in the insurance market on Names, the individuals whose assets have traditionally supported underwriting at Lloyd's. The move follows criticism that *Names do not have enougb say* in *discussions about* the future structure of Lloyd's.

With corporate investors increasing their share of capital underpinning the insurance market, concerns among some *Names and professionals about* the *future of unlimited* liability have mounted.

Mr Graham McKean of Ballantyne, McKean & Sullivan, a reinsurance broker, is likely to chair the new group, which is also expected to include a representative of the Association of Lloyd's Members, a group representing the interests of Names. *Christopher Adams*

■ ACCOUNTANCY INQUIRY

Partners face $720,000 legal bill

Partners of the accountancy firm of Spicer & Oppenheim – now part of Deloitte & Touche – face a bill for legal costs of more than £441,000 ($720,000) following a largely unsuccessful appeal against the findings of the accountancy profession's inquiry into the Barlow Clowes affair.

The collapse of Barlow Clowes in 1988 hit nearly 20,000 investors. Mr Peter Clowes and others were jailed in 1992 for their parts in the scandal. The UK government criticised regulators, accountants and other professionals for missing chances to detect fraud.

An appeal committee of the profession's watchdog – the Joint Disciplinary Scheme – reduced costs against Spicers from the original £350,000 to £300,000 but added 80 per cent of the costs of the appeal. The appeal committee largely confirmed that Spicers be censured for its actions. Spicers provided services to Barlow Clowes and was auditor of the UK partnership from 1985. *Jim Kelly*

■ ENVIRONMENTAL PROTEST

Clash closer over new runway

The risk of a clash between environmentalists and Manchester Airport grew yesterday as the airport named the contractors who will build its £172m ($280m) second runway.

A joint venture between Amec and Tarmac is now responsibla for security on the site after winning the contract worth about £100m. Construction is due to start this spring.

However environmentalists said they were already building two tunnels under the construction site as part of a campaign of direct action similar to protests against new main roads in southern England. About 25 tree houses have already been erected as part of two main protest camps. Amec and Tarmac promised a robust response to the protestors. *Richard Wolffe*

■ RETAILING

Tesco to test all-night opening

Tesco, the supermarket group, is to open some stores through the night on Fridays. The pilot scbeme will start in four stores at the end of the month with the stores staying open from Friday mornings to Saturday evenings.

NEWS: UK

Role of British Aerospace in Future Large Aircraft project may be at risk

RAF aims to halve order for transporters

By Bernard Gray, Defence Correspondent

The Royal Air Force wants to halve the number of Future Large Aircraft military transporters it has said it will buy, threatening the involvement of British Aerospace in the proposed European project.

The cut, which has not yet been approved by ministers, would take Britain's share of the project below 20 per cent – too small to justify BAe's continuing involvement in the FLA's wing manufacture.

According to a report to be published today in *Flight International* magazine, the RAF has concluded that it does not want to use the FLA as an air-to-air refuelling tanker to replace its fleet of Lockheed TriStar and Vickers VC-10 aircraft. This would cut the number of FLA needed by the RAF from the 40-50 announced by minsters in 1994 to just 25.

The Ministry of Defence said that a requirement for 45 FLA remained official policy at present, but officials acknowledged that the studies on reduced numbers have taken place. The RAF is understood to be concerned that the propeller-driven FLA will not be fast enough to meet some of its requirements for tanker and transport roles.

If the proposal is confirmed by ministers, it will be a serious setback for British Aerospace, which lobbied hard in 1994 for the UK to rejoin the project. As well as direct work on the FLA programme, BAe's involvement would have protected its position as the wing design company for other European projects.

Daimler-Benz Aerospaca has been keen to break BAe's stranglehold on wing design for Airbus, and if it dislodges BAe on the FLA, it could become the lead wing designer for future projects carried out by the Airbus consortium.

The move is part of a concerted effort by some in the RAF against the FLA. Many senior officers want to buy a mix of Hercules smaller transporters, which the service already uses, and the new McDonnell Douglas C-17 jet transporter, rather than the medium-sized FLA. The UK defence ministry is already studying a proposal from McDonnell Douglas for the lease of six of the expensive C-17 aircraft.

The FLA programme is far from secure elsewhere in Europe. Neither France nor Germany has so far committed any funds towards the $5bn development cost of the aircraft, because budget cuts to meet the criteria for entry into EU economic and monetary union have cut defence spending.

If development work is not started soon, the aircraft will not be ready by 2004, when the RAF needs to replace the second half of its existing Hercules fleet.

Union tries to resolve 18-month docks dispute

By Robert Taylor, Employment Editor

A trade union attempted yesterday to break the deadlock in an 18-month-old dispute with the Mersey Docks and Harbour Company in the port of Liverpool in north-west England.

The Transport and General Workers' Union, one of the largest trade unions in Britain, said a labour supply company should be established to provide permanent dock work for the port. It should be a co-operative run by the men involved in the dispute, the union said.

Mr Jack Adams, the union's deputy general secretary, said that the proposal was a "serious attempt once and for all to resolve the present impasse in negotiations". The dispute concerns 329 dockers who were dismissed for refusing to cross a picket line.

Mr Jimmy Nolan, chairman of the Merseyside Port Shop Stewards, said the workers in dispute were giving "complete support" to the proposal.

Mersey Docks and Harbour Company said it wanted to contract out its work, hut last night a spokesman said the union plan had not yet been presented to tha company.

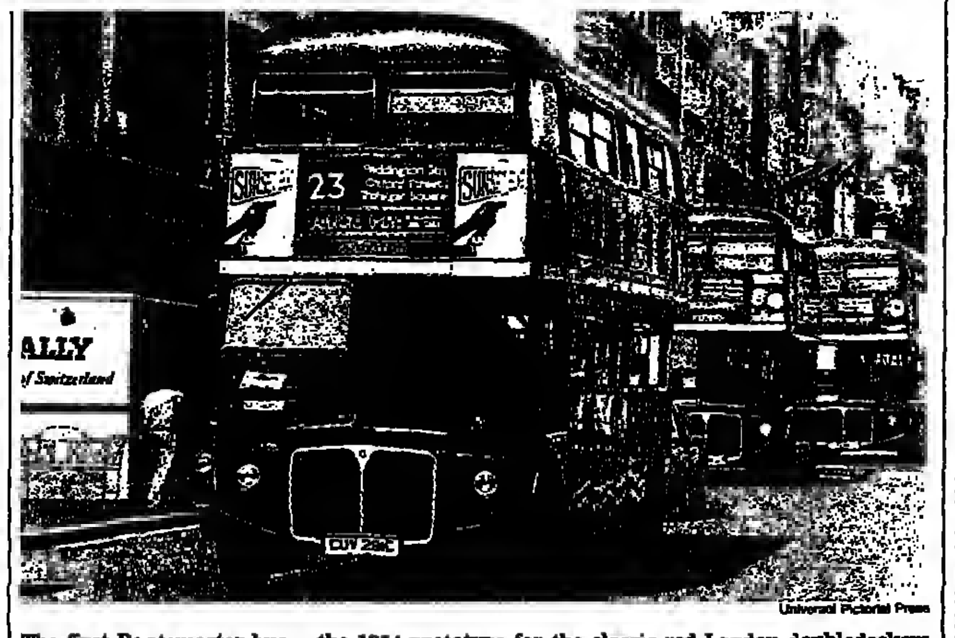
The company repeated yesterday that its last offer to the 329 men in dispute since September 1995 should be put to a secret ballot.

The offer includes the promise of 40 jobs in the port and redundancy payments of £25,000 ($40,000) for each docker.

The men would receive a further £3,000 after accepting a 12-week fixed term contract with the company.

However, the company has refused to accept the permanent reinstatement of those men who want to return to work in the port.

Local members of parliament, church leaders and Liverpool City Council are backing tha union proposal for a labour supply company run by the men in dispute. The proposed labour supply company would seek to "create the maximum number of jobs consistent with business efficiency", the union said.



Universal Pictorial Press

The first Routemaster bus – the 1954 prototype for the classic red London doubledeckers such as these still in use – emerged from the London Transport Museum yesterday to spend two days on the road. The bus was spending yesterday and today on the north-south route between Marylebone station and Crystal Palace on which it ran from 1956 to 1959. Its return was part of the museum's celebration of the history of doubledeckers in the capital. About 600 of the 2,700 Routemasters made are still in service in central London

Small companies attack lack of checks on data

By Robert Wright in London

Small businesses yesterday urged Companies House, the official registry for data which companies are required to file, to carry out more checks on submitted documents.

The move came after the Financial Times revealed how a company was "stolen" by two men who registered as its directors without permission and moved its address to one of their homes.

The Federation of Small Businesses, which represents 96,000 business people, said the law was enforced in the same way for large companies with legal and finance departments as for the 900,000 small companies which employed fewer than 20.

Mr Stepheo Alambritis, the federation's head of parliamentary affairs, said: "This is one of the reasons why many self-employed small traders don't go on to become incorporated, because they feel vulnerable to major mistakes at Companies House."

Incorporation had advantages in terms of securing finance and also in terms of credibility for businesses wishing to export, Mr Alambritis said.

The case featured in yesterday's Financial Times involved an English company whose name has been withheld at the request of police.

The new directors who took over the company's identity were able to do so by filing new director and change of address forms. An existing director of the family-run business said he was told by Companies House that documents would be accepted as long as they looked genuine.

Mr Alambritis said the UK was moving too far towards a regime where it was easy to set up a company hut costly to file accounts and returns when a company was trading.

Mr Paul Payne, a director of a London-based company search agency, Law and Accountancy Agency Services, was also critical. "I personally feel that they are too concerned with pleasing the hig information agencies . . . people providing accounts and financial information and neglecting all the other things they should really be doing – like better checks."

Directors' lobby sheds quiet image

Only a group of accountants could form a club called the 100 Group when it has about 135 members. But there is method in the madness: the organisation's growing influence means that prospective members are always trying to join.

Its power means that it can turn many away. In the past – as with most such exclusive clubs – tha 100 Group has heen discreet rather than secretiva. For several years it has gradually been attaining a higher profile. Suddenly, it is making the headlines.

In recent weeks, the 100 Group – which has at its core the finance directors of companies in the FT-SE 100 index – has made its presence felt on several specific issues, ruffling the surface of the City of London's image of consensus.

For the 100 Group, a high profile is not new. It began lifa tackling issues in the 1960s, before entering a long period of anonymity. Then its members "decided that rather than just turning up for dinner they should do something. They became more vocal. Now, I think, people are looking to them for answers," said one City professional.

Whila the group may no longer be quite so shy, it has done littla to dilute its exclusivity. Its chairman is Mr Brian Birkenhead, a one-time finance director at National Power, the former state utility. At its centre are 98 of the FT-SE 100's main board finance directors. The other two are absent because of personal circumstances rather than philosophical disagreement. Making up the membership are other top companies close to the FT-SE 100, subsidiaries of big non-UK companies and some from sectors not otherwise represented.

The group's 15-strong committee does much of the work and provides secondees to a range of official and semi-official bodies. The 100 Group meets five or six times a year to discuss issues – the most recent session saw Sir David Tweedie, chairman of the Accounting Standards Board, seeking industrial backing for the UK's policy towards global harmonisation.

Historically, the 100 Group has been preoccupied with helping the Accounting Standards Board develop financial reporting rules – Mr Birkenhead is a member of its controlling Financial Reporting Council – and advising the Treasury and other government departments on fiscal matters.

Mr Birkenhead said the mova to a slightly higher profile followed a decision to focus lobbying on a small number of issues. "It is deliberate. I have tried to establish an agenda with the membership."

Three issues have been identified. At the end of March, the group will publish the report of an inquiry into European economic and monetary union. "Wa were tired of the sterility of the political debate," said Mr Birkenhead. This will focus on the costs and benefits of Emu and attempt to pin down tha relevant facts for business.

Second, the 100 Group will look at competition and the capital markets – it took a lead in the dispute between shareholdars' organisations and companies over the way in which shares are issued. "There were lots of moans and groans about the levels of fees," said Mr Birkenhead.

Any new methods would provide flexibility and freedom, not replace the existing system, he said. Tha Group also wants to influence the future direction of corporate governance.

Jim Kelly

Oporto

and northern Portugal

Northerners resent the way most public investment seems to be unfairly channelled into the Lisbon area. Now there is a movement to create elected regional governments. Peter Wise investigates

North-south divide is fuelled by favouritism

Four imposing bridges span the deep gorge cut by the mouth of the Douro river as it flows into tha Atlantic, separating Oporto and northern Portugal from the south. But the north feels strongly that too little has been done to close the gap that still distances the region from the capital, Lisbon, in terms of economic development and political power.

"Over the past 10 years, the scales of development have been tipped steadily in favour of Lisbon," says Mr Fernando Gomes, the Socialist mayor of Oporto. "As the industrial heartland of the country, the north keenly resents being passed over for public investment in favour of the capital."

"By failing to provide the north with better support, Portugal is wasting an opportunity for stronger economic growth and industrial development," says Mr Ludgero Marques, president of the Oporto Industrial Association (AIP). "As the main source of the country's business initiative and entrepreneurial drive, the region deserves more."

Most of Portugal's manufacturing exports – garments, footwear, textiles, ceramics, wood products, metal goods and electronic components – are produced by thousands of small and medium-sized companies in the north. But too little government inveatment in roads, railways, ports, airports and research facilities has left the region lacking in "international attraction" and with insufficient infrastructure to cope with a high level of industrialisation, says Mr Marques.

Businessmen say investment in the north is "natural" and risk-based, not "decreed investment" auch as the $2.6bn channelled in a Ford-Volkswagen car plant near Lisbon. The output of this single project is roughly equivalent to that of the whole northarn footwear industry, says Mr Alberto Costa, head of the Universidade Católica'a business administration faculty in Oporto.

Prof Pedro Arroja, an Oporto-based economics expert, calculates that the north makes an annual net transfer to the south of more than $3bn as result of relatively higher tax contributions and a lower level of public services in relation to the size of the population. This helps to explain why gross domestic product per capita in the north, about 87 per cent of the oational average, trails behind that of the Lisbon araa, where it is about 129 per cent of the Portuguese average.

Imbalances such at these are a driving force behind a movement to create elected regional governments in Portugal, one of only three European Union countries where political power remains wholly centralised.

Devolution, championed by Mr Gomes and backed by the Socialist government, would advance economic development and social justice, say its supporters. Opponents, including some prominent northern businessmen such as Mr Marques, believa it would divide the nation and "provida an excuse for doing very little". But almost all northern politicians and business leaders favour more decentralisation. "There is absolutely no reason why the national departments handling small businesses and export promotion should be in Lisbon when all the activity is in the north," says Mr Gomes.

Northerners have focused on Expo '98, a $1.3bn world fair to be held in Lisbon next year, as a prime example of the imbalance in public spending. Government plans to mark the 500th anniversary of the discovery of Brazil in the year 2000 with a smaller exposition in Oporto have failed to ease northern resentment at the prominence that Expo '98 will give the capital.

In keeping with this feeling of neglect, Oporto's emblematic iron-girder Maria Pia railway bridge, designed by the French engineer Gustave Eiffel in 1877, 12 years before the building of his famous tower in Paris, is now a disused museum piece. A symbol of the north's industrial roots, it forms part of the city's rich history, which was internationally recognised in Oecember when Unesco listed several districts as a World Heritage site.

Today, express trains from Lisbon pull into Oporto across the new São João bridge, a futuristic concrete span, that is soon to carry "tilting" locomotives, the cutting edge in railway technology and an investment that exemplifies how EU-financed spending on infrastructure is bringing Portuguese cities closer together.

But most of the traffic across the river continues to bustle over the two levels of the Dom Luís I road and pedestrian bridge, built less than a decade after Eiffel's similar construction and now almost permanently congested. "Choked accesses and an insufficient road and rail network are Oporto'a biggest problems", says Mr Gomes.

The striking contrast between ancient and modern is to be found everywhere in the north, where the regioo's businesses are leading Portugal's industry and commerce into the 21st century but where, nortberners complain, development has been held back by a centralised government system that unfairly channels most public investment into the Lisbon area.

In the port wine lodges of Vila Nova de Gaia, on the south bank of the Douro opposite Oporto, luncheon is still served in Wedgwood blue-walled dining rooms where a few discreet light bulbs are all that would be out of place in a Jane Austen novel. But high-tech laboratories and gleaming stainless steel wineries attest to the strong investment port companies are making in advanced technology.

The only operation they have so far been unable to improve with science is the traditional treading of grapes by foot, a process still used for some of the finest vintage wines. "Nothing has yet been found that can crush the grape skins without breaking open the pips in quite the same way as the human foot," says Mr Nicolas Heath, marketing director of Taylor'a, one of the only two remaining British family-owned port shippers. Most are now controlled by multinational beverage groups.

In Oporto, the 19th century Palácio da Bolsa, where the city's stock exchange once operated, is now only a tourist attraction, replaced last year by Portugal's new futures and options exchange, based in a modern office block. Some of the country's leading banks were born in Oporto and still maintain ornate headquarters there, but most have moved their decision-making centres closer to the seat of government in Lisbon.

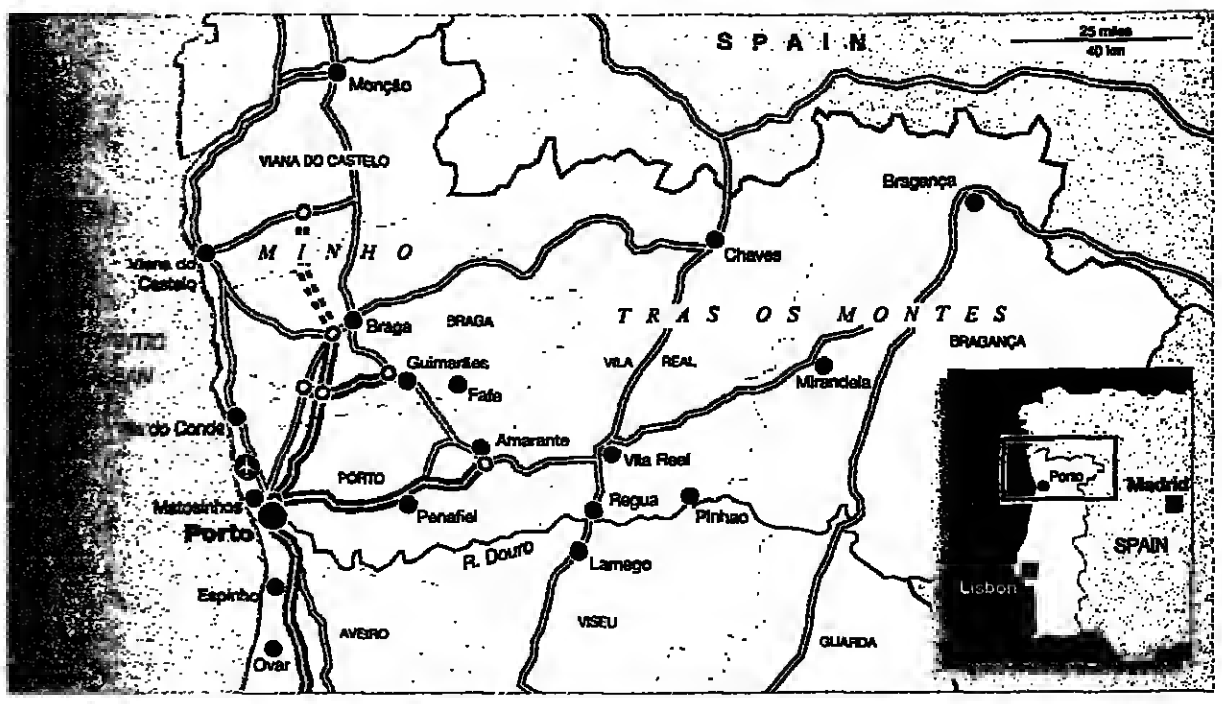
Satellite television aerials perch incongruously on the balconies of ancient, dilapidated houses in the medieval quarters of Oporto, and the city's 19th century town houses are dwarfed by some of Europe's biggest new shopping centres. More than $700m has been invested in eight shopping malls in the Oporto region over the past three years, a number of them real estate ventures by the big northern industrial groups such as Sonae and Amorim.

Most of the handful of Portuguese private-sector groups that have achieved an international dimension were born in the north. They established themselves after the collapse of the Salazar dictatorship in 1974, when the dominant, Lisbon-based groupa were nationalised, and expanded rapidly through share flotations during the stock market boom of the mid-1980s.

Most were built by self-made men who sprang from the region's small-company, industrial culture. Mr Belmiro de Azevedo, head of Sonae, a distribution and industrial conglomerate and Portugal's biggest private-sector group, is the son of a carpenter from the northern town of Marco de Canaveses, which also gave the world Carmen Miranda, the 1940s musical film star.

Mr Américo Amorim, who beads the world's largest cork company, served his apprenticeship as a salesmen, travelling third-class by train throughout the Soviet Union and eastern Europe.

Northerners balieve it is the same qualities of hard work and enterprise that have produced business leaders, their world-famons football club, FC Porto, and plucky women long-distance runners such as Rosa Mota, Manuela Machado and Fernanda Ribeiro, who have brought home a crop of Olympic gold medals. Given the support we deserve, the north says, we will go on making champions.



A bridge too far: the Dom Luís I road and pedestrian crossing

Picture: Lydia van der Meer

BUSINESS AND THE ECONOMY • by Peter Wise

A paradise for shoppers

Investment by big conglomerates has helped to make Oporto a shoppers' mecca

To judge from the investments being made in commercial centres, the people of Oporto were born to shop. More than $700m has been spent on eight new shopping malls over the past three years, providing the city with substantially more retail outlets than Lisbon, even though average disposable income in the north is only three-quarters of tbe level in the capital.

Oporto has become a shopper's paradise partly because Portugal's big conglomerates, which are mainly based in the nortb, have been investing on their own doorsteps.

The commercial real estate division of Sonae, which also operates the country's largest food retail chains, is behind four sbopping centres in Oporto.

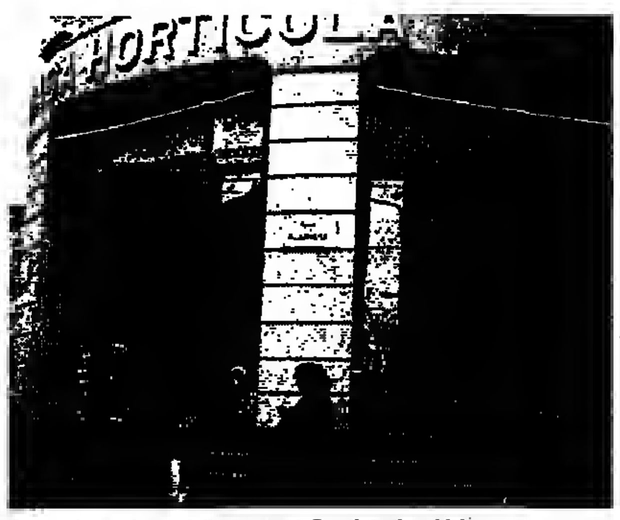
Some are relatively small. But as Mr José Carlos Tomás, an analyst with Banco Português de Investimento, points out, investments in smaller centres are sometimes the most profitable. Others, sucb as the Amorim cork group's Arrábia shopping mall, with its 20 cinemas, are built on a mammoth scale. Soares da Costa, Portugal's biggest construction company, this month sold the Bom Sucesso ehopping centre in Oporto for $76m.

In Lisbon, Sonae is one of the partners in the $300m Colombo shopping centre, which will be one of the biggest in Europe. In retailing, the group aims to increase its annual sales in Portugal from about $2bn last year to $3bn by 1999. It plans to build its hypermarket chain in Brazil to s similar level.

Sonae is also developing specialised retail chains for the Spanish and Portuguese markets, including a chain of building materials shops. These are aimed at small businesses more than individuals. In March, the group will launch Banco Directo, e chain of "financial sbops" based in its hypermarkets.

But it is not only the might of the big retail chains and real estate promoters that have made Oporto an ideal place for consumers to shop till they drop. The city has long been a magnet for shoppers from as far awey as Lisbon because of the wide variety of goods sold by the profusion of small manufacturers in the region. Desplte the prominence of international groups such as Sonae and Amorim, small and medium-sized companies (SMEs), which are primarily based in the north, make up 99.8 per cent of Portuguese companies.

Defined as businesses with fewer than 500 employees and annual sales of less than Es2.4m, SMEs account for more than 50 per cent of Portugal's exports, 79 per cent of employment and almost 64 per cent of investment. Most are extremely small; 55 per cent of all Portuguese enterprises bave fewer than five workers and 78 per cent employ fewer than 10 people.



Oporto has substantially more retail outlets than Lisbon João Beto/Spik

"Smaller companies, often more adaptable than big corporations, have led the development of new industrial sectors in Portugal in areas such as electronics, information technology and electrical equipment," says Mr António José de Castro Guerra, president of Portugal's Small and Medium-sized Business Institnte (IAPMEI), a government body that provides a wide range of support for SMEs.

"They have done this both by improving production quality and by successfully positioning themselves as partners or suppliers for big Portuguese or European industrial projects," he says. "They contribute as much in quality as they do in quantity."

Not all of Portugal's SMEs, whicb mainly operate in important export sectors such as garments, footwear, ceramics and light metal products, are ground-breakers.

Mr Alberto Castro, head of the Universidade Católica'e business administration faculty in Oporto, says the country's small business sector is in constant renewal as less competitive companies die off and are replaced by more modern, enterprising firms. He says a younger generation of entrepreneurs is beginning to co-operate to achievs the economies of scale which small companies badly need in marketing and distribution.

The least efficient companies, who survive on low wages and sub-contracting, tend to disrupt competition by accepting orders they cannot meet or by working at below cost just to keep the business running.

Banks csnnot be held entirely to blame for the high interest rates that SMEs eccuse them of charging. An Oporto management consultant says: "When you ask to see their books, some small businesses ask 'Which ones: the accounts for the tax man, the bank or the real ones?'"

The advent of Europe's single market in 1993 and the growing internationalisation of trade have confronted Portugal's SMEs with difficult new challenges. Mr Castro Guerra of IAPMEI is confident most are prepared to seize opportunities and overcome threats. However, some northern business leaders, such as Mr Ludgero Marqnes, president of the Oporto Industrial Association (AIP), believe IAPMEI could provide more help if it moved its headquarters from Lisbon to Oporto.

The north's small companies, often family businesses relying on one person for their management, will need all their drive and persistence to remain successful. The hurdlea they face include: improving product quality and innovation; increasing productivity, professional training and environmental awareness; and adopting more assertive marketing policies based on design, brands and more effective control of distribution channels.

They will alao have to compete more strongly in Asia and eastern European markets as well as in their traditional markets in western Europe and the US.

Analysts say that adding valne to their products through improved quality, design, packaging and marketing is also essential as the European Union opens its doors wider to cheaper goods produced at lower cost outside Europe.

THE FUTURES MARKET • by Tom Burns

Timing of launch was fortunate

If the BDP had not existed last year it would have had to be rapidly invented

Oporto's Palácio da Bolsa is a neo-classical pile that was built midway through the last century in the old city centre, over the ruins of e convent thet had been destroyed by a fire. It is the most impressive civic building in the city and it must be one of the most visually stunning stock exchanges in the world.

The problem is that tha building no longer houses an equity market. With its gigantic glazed metallic dome bearing the emblems of 20 nations that traded with Portugal a century ago, and an array of assembly rooms decorated in styles ranging from those of Granada'a Alhambra to Louis XIV's Versailles, the Palácio ds Bolsa does duty as a tourist attraction.

The phased closure of the Oporto stock exchange began 10 years ago as trading began to move inexorably to the rival market in Lisbon. It was yet another example of the growing concentration of economic decision-making in the Portuguese capital. But Oporto counter-attacked with a proposal, first mooted in 1991, to launch a derivetivea exchange and this venture once more underlined the city's long established entrepreneurial culture.

"We had to come up with something innovative for Oporto: something that could distinguish us from Lisbon and keep a market here," says Mr Manuel Alves Monteiro, managing director of the Bolsa de Derivados de Porto (BDP). Oporto'e banks and broking firms rapidly agreed to back the project.

The best illustration of Oporto's financial ambitions is therefore not the past glory of the Palácio de le Bolsa but the gleaming functional tower block which serves as the BDP's beadquarters in the modern business centre of the city that stretches ont along the Avenida de Boavista.

The venture took time to get off the ground. This was as much e result of Lisbon's lukewarm response to the proposal as the consequence of the complex training period required for those who would operate and use the new exchange.

Oporto first asked for authorisation to deal in forward contracts and when it realised that the anthorities were dithering over this modest venture it decided to broaden its ambitions by seeking permission to set up e fully-fledged derivetives market.

The Lisbon market at this stage came up with its own futures and options project and the government, finally waking up to the debilitating rivalry between the two financial communities, decided to divide the business, awarding the cash and equity market exchange to Lisbon and derivatives dealings to Oporto.

Having obtained the green light for the BDP in 1994, Mr Alves Monteiro and his colleagues began searching similar markets for hardware and technical know-how and creating an institute to train both ataff and potential users of the market. "The financial culture in Portugal was very low," saye Mr Alves Monteiro, "and our success depended on helping to educate would-be players in derivatives."

Palácio da Bolsa: the building no longer houses an equity market

Although Oporto's financial community was behind the project, and so, eventually, was the government, the BDP trail-blazers found that changing cnltural behaviour among regulators, banks, corporations and institutions was much more difficult than they had envisaged.

The Institute, the BPS training centre linked to the derivatives exchange, had its work cut out in organising a snccession of training workshops and flying in instructors from existing future and options markets to run the seminars.

Obtaining the technical back-up proved the easier task. The BPS had first contacted Spain's Meff-Renta Fija, e fixed income derivatives exchange located in Barcelona, in 1993 and, after stndying other European markets, it came rapidly to the conclusion that the neighbouring Meff-RF exchange provided the electronic training model that was best suited to its purposes.

In the circumstances BDP moved quickly. In June last year, using a variant of the system employed by Meff-RF, it launched trading among a group of 35 members in PSI-20 futures, a contract based on the 20 most traded companies listed on the Lisbon exchange, and in OT 10 futures, a contract based on Portugal's 10-year government debt. In September, it Isunched a third instrument, the Lisbor 3 Months Futures contracts based on short-term interest rates.

Trading in the past months, suggests that support has been even for all three instruments and that there is no single contract that is markedly more successful than the other two. In all cases, volumes were above what the BDP had projected before the launch, of the instruments.

In the event Oporto's derivatives exchange was singularly fortunate with the timing of its launch. The Portnguese equity market had e superb year in 1996, as did the Spanish one, for investors were driven by belief that the two Iberian countries would qualify for first-wave membership of Emn et the start of 1999.

Practical situetions, emerged in 1996 to make the derivatives theory that BDP had delivered over the past two years immediately relevant; equity volatility informed market players of the need to take hedging positions. If BDP had not existed last year it would have had to be rapidly invented.

Looking ahead, BDP is asking itself, as are other derivatives exchanges with the exception of Liffe, whether there is life after monetary union. The inherent challenges of operating within a single currency environment has stimulated the Oporto exchange into coming up with new products, such as one linked to the over-the-counter market, and with new services in the clearing house sector. "Our real challenge is to invent," says Mr Alves Monteiro.

Most interesting of all, BDP's chief executive says he is "very much involved in thinking up arguments" that would favour alliances with other derivatives exchanges and he has the Spanish and the Brazilian markets in mind.

PROFILE Fernando Gomes, Mayor of Oporto

Champion of regional assemblies

Mr Fernando Gomes, the Socialist mayor of Oporto, is e tall, broad-shouldered man wbo is in no sense belittled by the grandeur of the imposing town hall building that dominates the city's main square or unduly welghed down by his chain of office.

Bnt Mr Gomes, 50, does admit to feeling diminished hy the size of his budget. This year his municipality, Portugal's second-largest city with e population of more than 350,000, has no more than Es34hn to spend, representing less than 0.5 per cent of the country's total public expenditure.

This hudget, which Mr Gomes attacks as "manifestly too little", is only one example of wbat be believes to be an alarming imbalance in the development of the Oporto region compared with Lisbon in the south. This, be says, is tbe result of e centralised government system that inevitably shows favouritism towards the capital, where it is based.

"Oporto and the north have not received a fair share of the national resources that are dne to one of the most industrialised regions in Europe and the manufacturing nerve-centre of the country," he says.

"Over the past 10 years, the scales of development beve been tipped steadily in favour of Lisbon."

This lively sense of injustice over the distribntion of national wealth, a widely felt resentment in the north of Portugal, has made Mr Gomes, mayor since 1989, a champion of e national movement to create elected regional assemblies, e controversial issue that cuts across party political allegiances and is expected to be the subject of e referendum later this year.

The 1976 constitution, written as Portugal established democracy after 48 years of centralist dictatorship, states clearly thet elected regional administrations shonld be created to further the "direct and active" participation of citizens in political life. Twenty-one years later, Portugal remains one of ouly three European Union countries, with Greece and Ireland, not to have devolved some political power to its regions.

"Portugal bas not yet been able to free itself of the legacy of the Salazar dictatorship and remains one of the most centralised countries in Europe," says Mr Gomes. "The advance of democracy means allowing more decisions to made at a regional level, closer to the people most directly affected."

Gomes: sense of injustice over the distribution of national wealth

He wants elected regional bodies that would administer education up to university level; bealth centres but not hospitals; and secondary roads but not motorways. They would also manage regional transport systems, town planning and environmental policy. Another important power would be the administration of regional aid from the EU.

These administrations would be funded by redistribution of part of the national personal and corporate income tax revenne raised in eacb region, withont tbe need for levying new taxes. "They would not create an additional layer of civil servants because existing personnel could be reallocated on e regional basis," says Mr Gomes.

He sees the election of regional governments as the ouly effective way of redressing unequal development. "In Portugal, the central government is responsible for 93 per cent of total public spending and the municipalities only 7 per cent," he says. "In Spain, the central government accounts for just 58 per cent of public spending, regional governments for 27 per cent and municipalities for 15 per cent."

Regionalisation is backed by the Socialist government that was returned to office in October 1995 after a decade in opposition. Mr Gomes believes the Socialist victory was partly due to the reaction of northern voters against what he sees as the centralist policies of the previous centre-right government.

Mr Gomes bimself undoubtedly played an important role in the Socialists' triumpb and Mr António Gnterres, prime minister, would almost certainly have offered bim a senior cabinet post if be had not decided to finisb his term as mayor out of e sense of what he calls "political responsibility".

He has not so far been disillusioned by the Socialist government and he believes the scales of regional development are beginning to be more fairly balanced. He has not yet decided whether to stand for a third term as mayor in municipal elections due to be held in October. Over the long term, he is tipped as a potential successor to Mr Gnterres as Socialist Party leader.

In the meantime, Mr Gomes could become a strong candidate to bead a northern regional government, although he feels that the Socialist government has handled the regionalisation issue badly.

By turning over responsibility to parliament, wbere consensus is being sought on a constitutional revision that will allow a referendum to be beld, the government has delayed a process that it could have carried forward more quickly on its own initiative, be says. The earliest Mr Gomes could stand for election as head of a regional assembly is now likely to be 1998.

Peter Wise

BANKING • by Tom Burns

The cradle of the nation's entrepreneurial spirit

The banks are competing to nurture the region's businesses

The north of Portugal ought to be a favoured stamping ground for financial institutions. It is the cradle of the nation's entrepreneurial spirit; the home of the domestic network of small and medium companies and the birthplace of most of its banks.

On the face of it, deal-making would appear to be part of nortbern Portugal's culture. In Oporto, business people feel superior to their coonterparts in Lisbon and consider them, at best, employees of multinationals and, at worst, bureaucrsts working for state-owned enterprises.

Oporto works, they say, while Lisbon pleys politics or, unashamedly, goes about partying.

There is, nevertheless, a barely-hidden envy behind the airs that the northern Portuguese can affect. The south may be laid back but it is where the big corporations are headquartered and where all-important lobbying takes place because it is there that the main decisions are made.

The concentration of power is something that the banking system instinctively understands and the institutions know they need a substantial presence in Lisbon.

And yet some of the financial sector's main players are wary of the capltal city.

It is also said that Portuguese banks are born in Oporto and die in Lisbon because it is there that their attention to details sucb as margins can lapse and that deal-making skills may be hlunted.

One bank tbat was launcbed in Oporto but which, unusuelly, has remained headquartered alongside the Douro river is Banco Portuguées de Investimento, BPI.

Very much aware of the tale of two cities, Mr Artur Santos Silva, the chairman, who set up BPI as an exclusively merchant bank in 1981, has a spread of subsidiary banks tbat his group has acquired between Lisbon and Oporto.

"Its important to be close to our markets; that's wby we've kept part of our team in Oporto," be says.

Two of the group's units, Banco de Fomento e Exterior and Banco Fonsscas & Burnay, have their head office in Lisbon while a third, Banco Borges & Irmão, remains in Oporto along with BPI, the parent institution.

Mr Santos Silva has logically focused Borges & Irmão towards northern Portugal because this is where nearly 70 per cent of its brancb offices are located and he bas ellowed Fonsecas & Burnay to concentrate its retail banking operations on the south which is where the Lisbon-based unit has centred its network.

Both subsidiary networks have a brief to develop consumer lending niches sucb as credit cards and loans for car purcbases wbere BPI claims it has developed key products.

Nevertheless, the retail business in the north has the added bonus of scouting for corporate finance opportunities among tbe range of small and medium business clients tbat it has on its books.

Serving sucb clients has also allowed Borges & Irmão, for example, to specialise in foreign currency financing because this is what the textile and footwear business of northern Portugal requires.

BPI is not alone in this specialisation. What Mr Santos Silva, who keeps his own offices at the main Oporto Brancb of Borges & Irmão, has done is to has build up a strong financial group by snapping up bank networks tbat complemented each other as and when they were privatised.

This is a strategy that rival groups, such as Banco Comercial Português, Banco Pinto & Sotto Mayor and Banco Espírito Santo bave also pursued.

The Portuguese government first nationalised the banks in the 1974 revolution and then it began to dispose of these financial assets to the early 1990s. The process of state buy-onts followed by state sales has ended up concentrating the banks into four private sector groups ranged against one institution that dominates the financial sector and which remains government controlled: the Caixa General de Depósitos.

Competition with this ontsize savings bank – tbe Caixa has a captive market because it is virtually the monopoly banker of civil servants and public employees – has prompted the private sector financial institutions to develop an interesting strategy of segmenting their respective clients' bases.

Ideelly, the banking groups divide tbeir client services and lending activities into three grades, placing small and medium companies in one segment, universal banking into another and the business of larger corporate finance into a third.

The development of these special networks, delivering tailor-mede services to specific segments, is held to be the key to auccess in the domestic banking industry.

It is within this broad strategy tbat banking in northern Portugal takes on special characteristics. It is not enough to have a network, anch as Borges & Irmão which is working on its home turf. Skills have to be sharpened in order to service the numerous small business that with greater or lesser success aurvive in the traditional industries of the area.

Banking executives are all too aware that there is e lot of work to be done in restructuring the industries of northern Portugal.

They talk in terms of identifying products and standardising them; of pooling companies together in research and testing of projects; of joint marketing efforts.

They also look forward to aiding management buy-outs as entrepreneurs who have built up family companies hand over to second or third generations who are no longer interested in the businesses – and to merger and acquisition deals among tbose families wbo hava prospered.

"But we face lots of problems" says a banking analyst at BPI'e headquarters in a leafy suburb of Oporto.

"Small, family companies tend to bave opaqne accounts which makes risk evaluation very complex; they are also, by definition, very individualistic."

The atory, frequently repeated, is that the stronger the entrepreneurs get, the more independent they become of the banks.

"The firms that survive never give credit to their customers, work only in cash and believe that the less they have to do with a bank, the better they are as businesses," says one senior executive wbo has worked hard to develop segmentation strategies.

So far it has not proved easy to foist professional management on to northern Portugal's small businesses.

The heads of family companies will generally employ just one graduate to deal with the banks and they are, es a rula, highly suspicious of marketing ideas.

Oporto's banking community does not despair, however. Listening to its main players, the overall impression is that the right seeds are being sown in ground that will prove fertile sooner rather than later.

The city'a bankers point to the concentretion of business in Spain, particularly in the region of Galicia that has such close affinities with northern Portugal and which provides plenty of restructuring examples. They say that cross-border transactions, which are still the exception rather than the norm, will begin to gather pace.

It would be vsry surprising if in the medium term a clutch of medium to large companies in different sectors of traditional industries fails to emerge in northern Portugal.

At present the banks are competing with each other to nurture the incubation procesa of the region's businesses.

TOURISM • by Peter Wise

Region seeks new vocation

The unsurpassed natural beauty of the Douro valley offers great potential

Quinta dos Malvedos, Tua: the Douro valley is a haven of olive and almond trees, sunlit villages and wheeling birds of prey

In tha yellowing pages of leather-bound guest books from the port wine estates, or *quintas*, of tha Douro valley, generations of visitors tell a story of pure delight that stretches back more than a century.

A guest at Quinta do Bomfim, built in 1897 in the style of a Ceylon tea planter's bungalow, writes lyrically in 1917 about the singing of the nightingales. In 1995, British artist John Voice lovingly sketched the view across the river from Quinta de la Rosa.

A recent visitor to Quinta dos Malvedos was inspired to write a comic ballad about a snake that frightened the cook. The poet signs himself as John Major, residing at 10 Downing Street. And to dispel any doubt about the authenticity of the signature, the following page is signed by half a dozen gentlemen, all giving thair address as New Scotland Yard.

The British prime minister spent his summer bolidays at the 146ha estate in 1993 and 1994 as a guest of the Symingtons, the English family that owns and runs the biggest port wine group. But less distinguished names are beginning to fill the visitors' books as the Douro region seeks to establish a new vocation as a tourism centre.

The Douro, having run two-thirds of its 927km course in Spain, enters northern Portugal amid precipitous mountains, growing steadily broader as it makes it way to the Atlantic at Oporto. Along the steep, schist hillsides of the upper reaches of the valley lie the terraced vineyards where the grapes for port are grown over a 250,000ha area, first officially demarcated in 1757.

The potential for tourism is inescapable. A haven of olive and almond trees, sunlit villages and wbeeling birds of prey, the Douro valley offers unsurpassed natural beauty. Tha pace of life is never faster than the river itself and many of the more than 70 *quintas* are endowed with the comfort and old-world elegance that only generations of loving nurture can provide.

Otber pressures in eddition to this natural propensity are moving the region deeper into tourism. On a national level, Portugal's tourist industry is over-dependent on tbe Algarve coast in the south, which accounts for about 50 per cent of total tourism revenne and foreign visitors. The government wants tourism to diversify into other regions – and tap new markets of more discriminating holidaymakers who spend more.

At the same time, the number of jobs that the port industry can provide in the Douro valley is steadily diminishing. The difficult terrain, stony soil, rainy winters and long, hot summers – although perfect for the grapes that go into port – mean little else can be grown on a commercial scale.

Mechanisation of vineyards, which allows for the use of small tractors, is a costly investment and limited in scope. But it is nevertheless progressing as labour costs increase. The big port companies, who traditionally bougbt almost all their grapes from small, independent producers, are also expanding their ownership of vineyards.

Smallholdings tbat once provided a livelihood, however precarious, now offer many Douro farmers only a seasonal wage at best. Inevitably, fewer and fewer of the 32,000 small vineyard owners in the region will be able to make a living from wine. A large part of the solution, in the eyes of government and regional authorities, is tourism.

Some port companies are themselves branching into tourism, adding value to their properties in a way they believe will help promote great interest in the wine itself. "People who spend a holiday in the Douro will become more knowledgeable and more attracted to port," says Mr Alistair Robertson, chairman and managing director of Taylor's, one of the oldest port shippers.

The company, founded in 1692, is rebuilding e property on the riverside at Pinhão, in the heart of the Douro valley, into a 39-room luxury inn, the first botel accommodation specifically designed for visitors to the port wine-growing district.

More quality hotels are needed, seys Mr Fernando Bianchi de Aguiar, head of the Port Wine Institute (IVP). Riverboats cruise up the Douro from Oporto and a delightful narrow-gauge railway winds through the hills and along the bank of the river, stopping at blue-tiled stations. But the only botels are in outlying town such as Vila Real and Lamego.

Some port shippers, who have long entertained trade guests at their *quintas*, are beginning to cater for tourists as well. Visitors can, for example, take an "andio tour" of the vineyards and winery at Quinta de Panascal, which is owned by the Taylor group, before tasting a range of the estate's Fonseca Guimaraens ports.

Last September tha IVP and the Casa do Douro, tha small farmers' organisation, launched the Port Wine Route to help stimulate tourism. This features 54 approved sites in the region, including farmhouses offering bed and breakfast, *quintas*, wineries, museums and cellars, tbat tourists can visit. "Tourism also offers an important sales outlet for s number of small producers who are beginning to bottle port and table wines on their own farms," says Mr Bianchi de Aguiar.

No one fears that a company sncb as Taylor's, whose reputation is built on tradition and prestige, will do any thing bnt enhance the Douro valley, building tourism facilities in keeping with the scale and style of their surroundings. But there is concern that the region could be irrevocably spoiled by the wrong kind of development.

Although the Symingtons' Bomfim, Malvedos and Vesúvio estates are among the most attractive *quintas*, on the Douro, the family has no plans to put them on the tourism market. "The biggest potential for tourism linked to the port trade lies in the wine lodges of Vila Nova de Gaia, which are equipped to cope with larger numbers," says Mr Rupert Symington. Otherwise, the Douro should keep both its wina and its tourism carefully focused on the premium market.

PROFILE Serralves Foundation

Pioneering business sponsorship of arts

Visiting French art critics are engaged in a lively discussion about the work of Manuel Casimiro, a Portuguese conceptual artist, who listens attentively without commenting. Translators in their booths at the back of the crowded hall translate the arguments into Portuguese as visitors in an adjoining gallery enjoy an exhibition of his paintings, photographs and sculptures.

This is a Saturday afternoon at the Serralves Foundation, Oporto's leading cultural centre, an institution which is not only proving that the arts are alive and kicking in northern Portugal but which is also successfully pioneering business sponsorship of culture on a national level.

Oporto's leading cultural centre: proving that the arts are alive and kicking in northern Portugal

More than 80 individuals, institutions and companies, both private and state-owned, from banks, brewers and insurance companies to clothing manufacturers, supermarkets and port wine shippers, support the foundation. It was set up in 1989 as the result of a partnership between the state and the private sector, a unique development for Portugal.

Business sponsorship of the arts in a country where the culture ministry has an annual budget of less than $250m is much sought after but remains highly elusive, despite government efforts to attract corporate backing. "The Serralves Foundation, which is about 50 per cent funded by the private sector, is the only successful example of any dimension," acknowledges Mr Manuel Maria Carrilho, the culture minister.

Lisbon is often seen as a magnet for Portugal's artistic and intellectual elite, as well as those successful in business and finance. "People continue to feel that they haven't reached the top until they have been offered a position in the capital," says Mr Pedro Arroja, an economics professor. But the entrepreneurial spirit on which the north prides itself has led to a considerably more active involvement of business in the arts.

Large public investments in two massive arts complexes in Lisbon, the Centro Cultural de Belm (CCB) and Culturgest, have provoked resentment in the north. But the CCB has failed to attract any significant private backing and Culturgest in owned by a state hank. Similarly, Mr Fernando Santos, who runs art galleries in Lisbon and Oporto, says art sales are better in the business-oriented north.

Fittingly, the Serralves Foundation owes it existence to a textile industrialist, Mr Carlos Alberto Cabral, who was also a count. In tha 1930s, he brought leading modernist architects and designers to Oporto from throughout Europe to build a mansion and landscape an 18ha park. The work was completed in the early 1940s by the Portuguese architect Marques da Silva.

The result was an Art Deco masterpiece of striking beauty, which has been perfectly preserved. "Serralves translates the palatial splendour of classical parks and residences into a more modern style," says Mr Vincente Toldi, the foundation's artistic director. "We believe it has few parallels anywhere in the world."

The property was bought hy the state in 1987 and the foundation set up with the aim of creating a museum of modern art in Oporto. Alvaro Siza Vieira, Portugal's most distinguished architect, who was born in the city, was given the task of designing the new museum, together with a 300-seat auditorium and a sculpture park, in harmony with the existing Serralves building and gardens.

This Museum of Contemporary Art, due to open to the public by the end of 1998, will house a significant body of Portuguese and foreign contemporary art from state collections, which are continuing to grow through donations, loans and purchases.

The new facilities will enable the Serralves Foundation to expand its activities, which already include art exhibitions, dance, music, film and debates, as well as educational links with schools. The museum, set to become one of Portugal's leading cultural landmarks, will also draw more visitors to Oporto's biggest and most attractive park.

Peter Wise

THE PORT WINE INDUSTRY • by Tom Burns

Crucial decisions ahead

Premium prices or high-volume sales strategy? The sector is at a crossroads

Dow's 1994 vintage port ageing: as many as 30 varieties of grape can be used to make port – but rarely are more than six employed

True vintage port should be considered a "moving" target, according to Mr Pasquale Iocca, an authoritative writer on the Douro river's emblematic product. The port lover has to decide when to drink the wine as it passes from rich, raw infancy to a complex and balanced adulthood, and to a fascinating but fragile old age.

The port wine industry is also in motion after surviving a severe over-production crisis that was fuelled by political npheavals that shook Portugal in the mid-1970s. And although growers, shippers and the authorities have jointly set up a new discussion forum they have still to decide on the crucial issues for the future of the business.

The most important decision of all concerns what exactly the industry should be selling to whom and at what price.

"The port trade has to agree on whether it wants a strategy based on volumes or one based on high prices; on whether it goes for a premium market or for broader segments," says Mr António Vasconcelos, managing director of shippers Vinhos Borges. "This is an equation that has never been asked et a trade level."

The industry is at a crossroads for several reasons but the most important one is that port is an extremely versatile wine that can appeal to very different people.

Starting with the same grapes grown in the same vineyards along the Douro river valley – as many as 30 varieties can be used to make port bnt rarely are more than six employed – utterly distinctive styles can be produced by adhering to different blending and ageing processes.

What is shipped from Oporto will be bought by a French housewifa who will pick a bottle of young port off a hypermarket shelf and store it in the fridge to serve it up as a chilled aperitif. She might also use the wine to stew up a coq-au-vin while taking "cook's nips" from what is left in the hottle. That is the lower end of the port market.

Alternatively, what is shipped from Oporto will be lovingly layed to rest in a cellar at an Oxbridge college, to be resurrected years later after a high table dinner commemorating some otherwise forgotten benefactor. Drinking fascinating and fragile vintages is the premium end of the market.

The volume of the business is now heavily weighted towards the French, Dutch and Belgian markets which began to import increasing quantities of port in the 1950s and 1960s and now account for 70 per cent of worldwide port sales. These new consumers drove the industry – some claim "savad" it – encouraging small farmers to tend their vines and shippers to invest in their own brands.

The problem is that only some 3 per cent of this high volume export to France, the Netherlands and Belgium consists of what the trade calls premium products.

This is a cause of intense concern among the shippers who believe, in general, that the long-term viability of the business will almost certainly involve a concentration on the traditional UK market, where 50 per cent of total consumption is value-added, top quality wine, and on the increasingly important segment of vintage port drinkers in the US.

"We're looking at an American who wants his fine port to accompany his equally fine cigar and who knows exactly what he wants," says Mr Alastair Roberts, chairman of Taylor's, an independent shipping company that opened for business in Oporto shortly after the first colonies were established in New England.

Mr Rupert Symington, an executive for the family-controlled Symington group of shippers, believes that "in the long term, port will becoma more and more expensive."

There are compelling arguments to support a high quality, high price strategy but there are also strong reasons for defending one based on volumes. A key problem here is that there are two main players in the port industry, one being a limited number of mostly foreign shippers based in Gaia, across the Douro river from Oporto, and the other consisting of some 32,000 small farmers who tend often minute vineyards 130km up the river.

The shippers rightly see that the terraced vineyards on the highland banks of the Douro's river valley are as stunningly beautiful to look at as they are costly to maintain. Mechanisation oo these rocky slopes is either limited or impossibla and labour costs are high and will continue to rise.

It is because of this that they argue that the port as an aperitif segmant of the industry – the wine that is exported to continentel Europe – is threatened, because it is sold in a competitive and cost-sensitive market.

An additional worry is that as from last year all port has to be bottled in Portugal (vintage port has been bottled in Portugal since 1970) under a government "suspension" of hulk exports which is currently being examined by the European Commission.

There is nothing, in theory, to stop bottlers in Holland and France from importing fortified wine from Algeria, for example, and marketing it as "tawny" to satisfy their home demand for a sweet aperitif wine. The low end of the port wine business could collapse with the same speed that it was huilt up 30 years ago.

The farmers in the Douro valley, who have few alternative crops, are fearful, however, of any decrease in volume through a concentration on the premium end of the industry. And so is the government which clearly sees this farming population as a social problem.

One way out of this complex dilemma consists in stepping up production of table wines in the Douro valley. Up river in Spain, the Ribera del Duero (Spanish for Douro) wines bave become a business success, thanks to improved vinification procedures. One Duero vineyard in particular, Vega Sicilia, produces one of the finest wines in the world.

Another solution could lie in tourism which could help to create employment. And another solution is the process of natural wastage; the farming population is becoming elderly as young people move to the cities. Gradnally, production of port could adjust, downsizing to meet the requirements of a quality market that will remain as long as lovers of fine wine exist.

In an ideal world, more and more wine aficionados will take up the "moving target" challenge and buy vintages that might be enjoyed best by their grandchildren.

From creator to destroyer

France's love affair with nuclear power is fuelling an experiment in plutonium disposal, says **David Owen**

You can't teach an old dog new tricks. Or can you? That, in essence is the challenge faced by technicians at France's 11-year-old Superphénix nuclear reactor – at 1,200MW, the largest fast-breeder reactor ever built.

Preparations have begun in earnest for an experiment that will, it is hoped, eventually reverse the reactor's mission, by converting it to a destroyer of plutonium rather than a creator of it. If all goes according to plan – a big if – scientists should know in six or seven years whether the experiment has been successful.

There is no reason in theory why fast reactors should not be used to destroy plutonium rather than to create or "breed" it, but substantial modifications are necessary to convert an existing plant such as Superphénix.

Like other nuclear reactors, fast reactors work by harnessing the energy released by the fissile materials they use as fuel. But fast reactors use liquid sodium instead of water to take away the heat produced by the process of splitting heavy atoms into lighter ones, and to transfer the energy to electricity generators.

Sodium must not mix with water as it can react explosively. But it has the advantage of not slowing the stream of neutrons produced by the fission process. The faster a neutron is travelling, the greater the chance it will escape from the reactor's core – a key consideration if a reactor is to "breed" plutonium effectively.

Fast-breeder reactors also incorporate a so-called "blanket", or fertile zone, made of the commonest isotope of uranium – uranium 238. When the escaped neutrons hit this blanket, some of them react with it, producing plutonium 239.

It is this second reaction that can enable a cleverly designed plant to create more plutonium than it consumes as fuel. According to Lewis Roberts, emeritus professor at the University of East Anglia and a former director of the UK's Harwell nuclear research establishment: "The whole idea of a fast-breeder reactor is that you are slowly transmuting uranium 238, which is really rather a useless material, into plutonium 239, which is very useful indeed as a fuel." Fast breeders generally operate using fuel that is between 17 per cent and 20 per cent plutonium and the rest uranium.

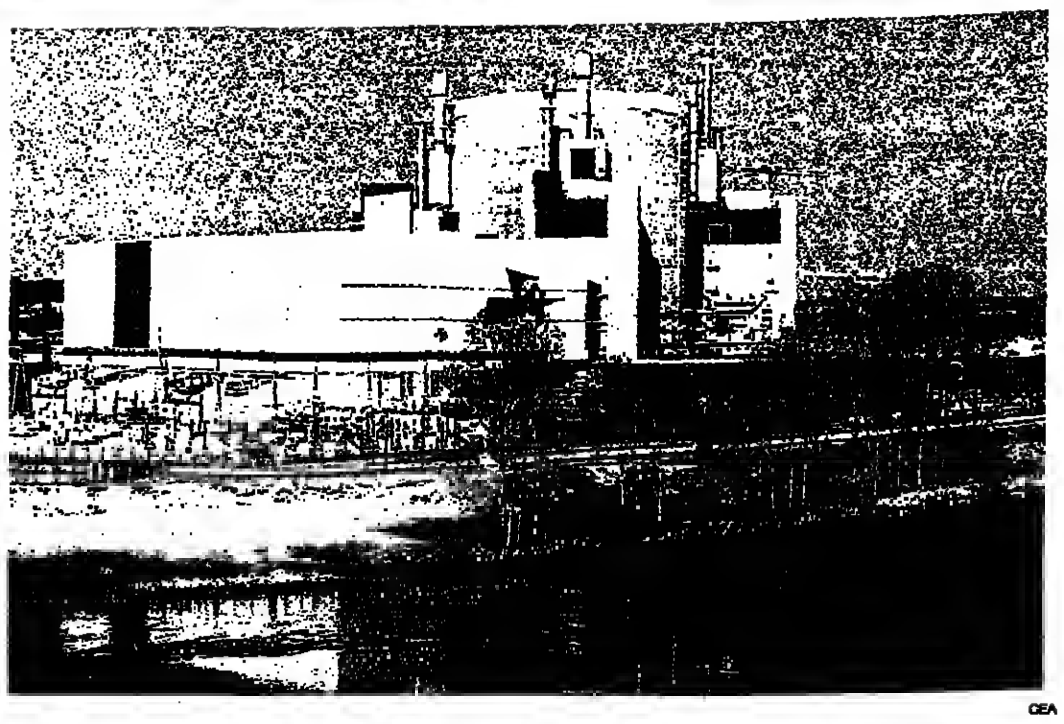
To convert a plant into a plutonium destroyer, scientists and engineers should start by simply removing this uranium blanket. They must then determine what mix of fuel will enable them to achieve optimum plutonium consumption. This is one area on which more light may be shed by the Superphénix experiments, as they will show whether theory is borne out in practice.

According to Bertrand Barré, director of nuclear reactors at CEA, the French atomic energy commission, it is probably not the case that fuelling the reactor with 100 per cent pure plutonium, assuming that were feasible, would produce the best results. Too many neutrons would react with the fissile plutonium fuel to produce another, non-fissile, plutonium isotope – plutonium 240.

This means, in turn, that the reactor would have to be repeatedly shut down for refuelling. As Charles Picker, manager of the UK's comparatively tiny £1m-a-year fast reactor programme, observes: "If you have to shut the reactor down frequently to change the fuel, the economics would be less favorable".

Another aim of the French experiments will be to see how effectively the stream of fast neutrons that would still be produced by the reactor can be used to destroy another potentially troublesome by-product of the nuclear industry, the higher actinides: elements – such as neptunium, curium and americium – that are heavier than actinium. Many have exceptionally long half-lives.

Although there seems to be widespread acceptance among nuclear scientists that a fast reactor should be capable of performing this task well, some doubt whether destroying these by-products is really necessary. Although there is no theoretical barrier to the use of fast reactors for destroying plutonium, many observers in the French press and elsewhere are sceptical about the value of the forthcoming experiments at Superphénix.



Phoenix from the ashes: France hopes its Superphénix fast-breeder reactor can be reborn in a new role

CEA

They point out that even if the reactor operates perfectly in its new role, it will get rid of little more than 100kg a year of plutonium, against 12 tonnes of plutonium by-product produced each year by the country's 50-plus pressurised water reactors. They ask why it will take so long to reach even this level of performance. And they question whether this dangerous metal could not be destroyed with equal efficiency in the PWRs. Currently, eight French PWRs are partly loaded with fuel containing 7 per cent plutonium.

Barré acknowledges that financial considerations have impinged on the experiments in some important ways. For example, he says, Superphénix will not become a net consumer of plutonium until 2003 or 2004, simply because "we do not want to throw away all the expensive fuel that has already been fabricated". He adds: "It would be possible to make Superphénix into a net consumer by the end of this year, but at great expense."

He agrees too that, given the choice, it would have been better to have conducted the experiments at a smaller, more flexible reactor, such as the older Phénix plant, which is not currently functioning.

But he says fast reactors should in theory be more efficient plutonium destroyers than PWRs because they would convert less of their plutonium-rich fuel into the non-fissile plutonium 240 isotope. Although, in one cycle, a fast reactor would destroy no more plutonium than a similar PWR, it would create much less material that could not subsequently be burnt.

Finally, he argues that achieving a balanced position, with France's nuclear industry destroying as much plutonium by-product as it creates, would require "only" seven or eight fast reactors – far fewer than the Superphénix arithmetic appears to suggest. This is partly because such new reactors should be able to burn more than seven times as much plutonium as Superphénix, and partly because there is scope to feed more plutonium than at present into the country's PWRs.

Critics are probably right to be cynical: the Superphénix experiments will be conducted in far from ideal circumstances, both because the reactor is not the optimum size and because of the problem of prefabricated fuel that remains to be used up.

But whether France is right to try to keep its expertise in the area alive is likely to depend, ultimately, on whether demand for new fission reactors – and hence for uranium – one day returns to something approaching the levels that existed before the world's worst nuclear disaster at the Ukrainian plant at Chernobyl in 1986.

An article on US plans to dispose of weapons-grade plutonium appeared on last Friday's Technology Page

Out of operation into research

Remember fast-breeder reactors? There was a time, in the 1970s and early 1980s, when they promised to resolve many countries' energy worries. This was because they could, in theory, make enough plutonium to supply their own fuel. With a few such machines, fears of uranium and oil shortages would be a thing of the past – or so the thinking went.

Then Chernobyl and the end of the cold war stopped the nuclear industry dead in its tracks and turned plutonium in discarded weapons stockpiles into a menace to international stability. The need for a self-sufficient nuclear reactor, particularly one that was a net producer of plutonium, seemed much less pressing. With political opposition to nuclear power also rising, one country after another pulled the plug on fast-breeder projects.

But not France. Poor in fossil fuel resources, it had found the original concept sufficiently beguiling to build Superphénix, on the banks of the Rhône at Creys-Malville near Lyons, as part of an ambitious nuclear energy programme. Started in 1976, it came on-stream some nine years later and reached full power in December 1986 – about six months after Chernobyl.

More than 10 years later, the huge plant is dismissed by critics as a vastly expensive and dangerous white elephant. The Cour des Comptes, France's public accounts watchdog, last year estimated the total cost of the project at FFr60bn ($11bn).

Moreover, a string of technical problems, notably leaks of the reactor's sodium cooling fluid, has limited its operations. In 1994, the French government announced after a four-year shutdown that Superphénix would be used for research only.

Bertrand Barré, director of nuclear reactors at CEA, the French atomic energy commission, defends France's decision to try to keep fast reactor technology alive on the grounds that it is still likely that it will be needed eventually. "If fission continues to be a common source of energy, we will one day have to have some kind of fast reactor because uranium reserves will become depleted," he says. "We developed our nuclear industry to get out of the oil fix. What would have been the point if we got into a uranium fix 30 years later?"

He sees the cost of France's fast reactor programme as a sort of "insurance premium" for its overall nuclear investment, which he puts at "of the order of FFr1,000bn". What percentage is affordable as insurance for FFr1,000bn? he asks.

DO

A nose for an illness

Breathe in. And breathe out. Those odours on your breath are the key to the latest intersection of electronics and medicine – the clinical breath-test.

This innovation is set to provide the medical diagnoses of the next century, thanks to a research group at the Scottish Craig Dunain Hospital, Inverness, backed by Scotia Pharmaceuticals.

Blood takes less than 30 seconds to circuit the body and all its organs, washing any illness-indicating biochemicals with it. This is why blood tests are so useful. However, in the very fine capillaries of the lungs, any volatile chemicals evaporate from the blood into the breath and are exhaled.

The strong, fruity smell on the breath of a near-coma diabetic is a stark example, but many illnesses produce more subtle aromatic traces.

Electronic "noses" are swift and cheap, once developed. They have tiny pits on their surface which mirror the shape of particular odour molecules. The smells are rolled over the sensors, like a taster washing wine around the mouth, until the molecule fits snugly into a pit.

The first electronic noses were pioneered in the 1970s by George Dodd, the research group's leader. They had three sensors while the latest versions have up to 20. But recent advances in nanotechnology make it possible to incorporate 1,000 sensors on a single chip.

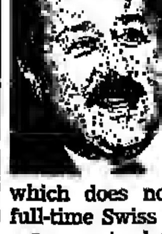
"The use of electronic noses in clinical medicine is an idea whose time has come because the requisite technology has arrived," says Dodd.

Ultimately credit-card size personal breath-testers might enable patients to monitor themselves, while sniffer chips placed in the mouthpieces of telephones could bring clinical diagnoses to the fast-growing world of telemedicine.

Damian Carrington

INTERNATIONAL PEOPLE

Ciba arm board bereft of bankers



Rolf Meyer (left), 53, chairman of Ciba Specialty Chemicals, which is soon to be floated, has taken the unusual step of picking a board of directors which does not include a single full-time Swiss banker. The line-up may not be surprising by Anglo-American standards, but it is virtually unprecedented in Switzerland.

Hans-Ulrich Doerig, head of Credit Suisse's investment bank, and Walter Frehner, recently retired chairman of Swiss Bank Corporation, have just been appointed to the board of Novartis, the pharmaceuticals giant formed from last December's merger of Ciba and Sandoz.

Doerig also sits on the board of Clariant, Sandoz's former specialty chemicals company, along with Marcel Ospel, chief executive of Swiss Bank Corporation, and Pierre de Weck, an executive director of Union Bank of Switzerland.

Meyer says that having working bankers on the board can lead to conflicts of interest: "It is not a good idea as far as we are concerned". However, he will not be short of banking expertise, as Erwin Heri of Winterthur Insurance, used to work for Swiss Bank Corporation.

The other outside directors are Gertrud Höhler, a German management consultant; Jean-Marie Pierre Lehn, a Nobel prize-winning chemist; Peter Littmann, chairman of Hugo Boss; Armin Meyer, an executive director of ABB; and Theodor Tschopp, chief executive of Alusuisse-Lonza. *William Hall*

Frito-Lay ambitions

Martin Glenn, one of the executive team behind the revival of the Walkers crisp brand in the UK for PepsiCo, is moving on within the group to a broad regional role – commercial vice-president Europe, Middle East and Africa for Frito-Lay, PepsiCo's snack food arm.

"The challenge is to replicate the success of Walkers," he says. Frito-Lay has strong businesses in places such as the Benelux countries and Poland but is absent from major markets such as Germany, Austria and Italy. Frito-Lay Europe's sales are about $2bn a year.

With United Biscuits recently scaling back its European operations, with disposals in Italy, Spain and Portugal, Frito-Lay will face its strongest regional competition from German snack makers such as Bahlsen and Convent and own-label producers, Glenn says.

Glenn, 36, joined Walkers in 1992 from the pet foods division of Mars. His successor at Walkers is Mhairi McEwan, currently vice-president of marketing for PepsiCo's western European soft drinks business. *Roderick Oram*

Russian bank move

Boris Khait has moved from being chairman to become president of Most-Bank, one of Russia's most prominent banks. As chairman, Khait had been largely overshadowed by the bank's former president, Vladimir Gussinsky, the flamboyant former theatre director and founder of the vast Most banking and media empire.

Khait, a 45 year-old engineer, is more low-key than his predecessor. He owes his new appointment to Gussinsky's decision to split the Most group into two distinct entities: a diverse media concern – to be run by Gussinsky – and a bank, which will be run by Khait.

Khait, who has been with the Most group since 1990, said the decision to split the jobs was part of an effort to give greater focus to each part of the business. He said that Gussinsky would now be free to concentrate exclusively on developing the media businesses, while he would seek to make the banking arm more professional and more customer friendly.

He faces a daunting task. Although the Most media properties – which include NTV, Russia's only fully private television company – have made the concern Russia's most powerful media group, its banking business is weaker. *Chrystia Freeland*

KPMG global chief

Colin Sharman, UK senior partner of KPMG, the Big Six accountancy firm, is to become international chairman of KPMG's worldwide network.

He becomes the only UK partner at the head of a global firm. He was voted to the top job following the early departure of Jon Madonna to become vice-chairman of the US insurer Travellers Group.

Sharman's appointment is seen as an effort to reinvigorate the worldwide firm. Latest worldwide figures for KPMG were disappointing compared with competitors, with a modest 8 per cent growth in fee income for 1995-1996. Sharman, a forceful manager, will be expected to produce results.

His election will also be seen as a vote of confidence in his controversial policies in the UK. KPMG was the first firm to publish full financial results and incorporate its audit arm to help limit partner liability. *Jim Kelly*

Yamaichi Bank chair

Yamaichi Bank, the London commercial banking affiliate of Japan's Yamaichi Securities, has appointed David Bucks as non-executive chairman. The appointment follows the death of Takashi Kato, who had been the bank's chairman since it was set up in 1988.

Bucks, 62, is a former deputy chairman and head of corporate finance at the once powerful Hill Samuel merchant bank, where a decade ago he found himself in the limelight overseeing the flotation of British Airways.

He has been deputy chairman of Yamaichi Bank for two years.

Nomura, the largest of the Tokyo securities houses, last year secured Brian Quinn, former head of banking supervision at the Bank of England, to be executive chairman of its own London bank.

George Graham

ON THE MOVE

■ George Fellows succeeds Jerry Levin as chief executive of REVLON, the US cosmetics group. Levin remains chairman of the Revlon board and an executive vice-president of MacAndrews & Forbes Holdings, which owns 83 per cent of its shares. Fellows also retains his role as company president.

■ Stuart Garner becomes executive vice-president and chief operating officer for all THOMSON newspapers in Canada and the US, exclusive of The Globe and Mail.

■ Andrew McAulay has joined the board of CHINA LIGHT & POWER. He is a nephew of chairman Michael Kadoorie and the son of long-serving director R.J. McAulay.

■ Lawrence Fok has been appointed executive director, listing, of the STOCK EXCHANGE OF HONG KONG.

■ Peter Chen, recently appointed Singapore's minister of state for education, has stepped down from the board of TEMASEK HOLDINGS, the government holding company. Koh Boon Hwee, executive chairman of Wuthelam Holdings, and Kua Hong Pak, president and chief executive of Times Publishing, become board directors.

■ Ian Bayer has been appointed chairman of Australia-based NIUGINI MINING, following the resignation of Dennis O'Connell. Bayer is president and co-chief executive officer of Battle Mountain Gold Company, which holds 50.5 per cent of Niugini.

■ Lev Leviev succeeds Izzy Tapuchi as chairman of AFRICA ISRAEL INVESTMENTS, the property development business spun off last year from Bank Leumi. Avigdor Kaplan replaces Mordechai Meir as managing director.

■ Scott Dolph has been appointed head of BEAR STEARNS' high-yield bond trading group. He replaces Peter Wilson, who recently moved to Montgomery Securities.

■ Lars Ohlsson-Leijon, senior vice-president at Swedish truck manufacturer SCANIA, will step down at the annual general meeting in April.

■ Leonardo Villar, Colombia's deputy finance minister, has joined the board of the country's CENTRAL BANK, replacing outgoing member Hernando José Gomez. Luis Bernardo Florez, former chief of the state oil company, also recently joined the board.

■ Norman Lowenthal has been appointed deputy chairman of the JOHANNESBURG STOCK EXCHANGE. He replaces Chris Niehaus, who has resigned due to business commitments.

■ Yoichi Shimogaichi, executive vice-president of NKK CORPORATION, the Japanese steel group, is to become president, succeeding Shunkichi Miyoshi, who becomes chairman. Shimogaichi, who joined NKK in 1958, is currently executive director of the steel division. The appointments will be formally ratified following the annual general meeting in June.

■ Daniel Burger has been appointed president, Europe, for DUPONT and will become operating leader for the region. Burger, who joined DuPont in 1966, will relocate to Geneva and report to Jerald Blumberg, chairman of Dupont Europe.

■ Anton Dikken has been appointed chief executive and country manager of ABN AMRO BANK's Irish operations. He was previously in charge of the bank's network in Asia.

■ Konrad von Finckenstein has been appointed director of investigation and research under Canada's Competition Act, making him the country's top anti-trust official.

■ William Hooks, president and chief executive of pay television service HBO Asia, is returning to New York as senior vice-president of HBO International.

■ Anne Stausboll becomes deputy general counsel of CALPERS, the California state pension fund.

■ South Africa's STANDARD CORPORATE AND MERCHANT BANK has appointed Paul Smith, formerly with KPMG, to the new position of director of its risk division.

■ Francois Defferriere has been appointed European managing director of FIMAT, the futures broking arm of Société Générale. He is currently head of FIMAT UK. He succeeds Michel Quillery, who is taking up a senior position in the Societe Generale Group. Vincent Taupin, managing director of FIMAT's Paris operation becomes deputy head of Europe and will report to Defferriere.

■ Jeffrey Brummette joins SALOMON BROTHERS ASIA PACIFIC as vice-president, senior foreign exchange trader, based in Singapore. He was previously with Prudential Global Advisers, part of Prudential Insurance.

■ Robert McInerney has been appointed president and chief operating officer of MERISEL, the computer products distributor. He was previously an executive vice-president of United Capital, a New York-based holding company.

■ David Wang has been appointed chairman and chief executive of GE China.

■ Loren Boston has been named head of fixed income sales at BZW ASIA, the regional arm of Barclays Bank's investment banking division.

■ Jurgen Geissinger rises to management board chairman at ITT AUTOMOTIVE EUROPE.

■ Gretchen Knoell has joined BEAR STEARNS as a senior managing director and head of West Coast technology investment banking based in San Francisco. She was previously a managing director at Punk, Ziegel & Knoell, a boutique investment bank.

■ Jean-Claude Chollet, Philippe Espinasse and Yves de Gaulle join ASSURANCES GENERALES DE FRANCE group's executive committee. The decision follows the retirement of vice-chairman Jean-Daniel Le Franc (who will remain chairman of the board) and the departure of joint managing director Jacques Campora.

■ Herbert Hui has resigned as deputy chief executive of the STOCK EXCHANGE OF HONG KONG, with effect from April 30.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

ARTS

True to herself

William Packer reviews Lucy Jones

Lucy Jones is the nearest we have to a true *Fauve* working today. That is to say she is an openly figurative artist, working from the subject with an uninhibited freedom in the statement and a celebratory clarity and richness of colour. Without making her any the less our contemporary, her work speaks directly of those early 20th century painters, Derain and Matisse especially.

At 41, she has already pulled off a rare trick in claiming a distinct visual world for herself, regularly working that bend of the river between Westminster and Waterloo that is so familiar yet so seldom noticed by artists, except for those notable visitors long ago, Monet and Derain. But the city is not her sole preoccupation and this her latest exhibition has quite as many more rural subjects, from the *rus in urbe* of Hyde Park to the Pembrokeshire countryside. These often large canvases are worked up in the studio from small studies in water-colour made on the spot.

But her figure paintings, often no less large, that make up the other half of the show, are worked directly from the model. That model is herself. She makes paintings of other people, but never shows them. This might seem like self-obsession but in fact is quite the opposite, and in this again she is in good company.

For there have always been artists for whom the self-portrait has been a consistent motif, a thread by which to pull a life's work together – we think of Rembrandt, Van Gogh, Munch, Beckmann among many others. And in such work is nothing of the self-pity or vanity that might prompt an occasional exercise, but rather a dispassionate and unsentimental scrutiny that ironically gives us more of the artist than any special plea.

Lucy Jones says simply that she began to use herself as a model when she was at the British School at Rome, and models were expensive. Whatever the reason, the results have been at once startling and impressive. For the making of a self-portrait, if undertaken seriously, is an oddly testing experience, not in any technical way, but psychologically. It pulls one all ways, turning one in on oneself self-consciously even while that dispassionate scrutiny supervenes.

And, for Lucy Jones, while it liberated her from the conventional formal problems of the life-room, it was also, as she puts it, "quite daring at last to be able to really begin to look at myself. Like slowly taking bits out of a box and beginning to examine them. It was so much easier to look at myself – a reflection in the mirror."

This simple, modest statement takes on an added force when we understand that Lucy Jones suffers from cerebral palsy. And it is through this sequence of self-portraits, now extending over more than 10 years, that we see her accepting and reconciling herself to her condition, and without a scrap of self-pity or sentimentality.

"Looking back . . . I see that they do teach me an awful lot . . . I think the self-portraits have unified themselves. When I first started . . . I only ever did half a figure . . . Sometimes they were also cut down the middle . . . And then I gradually unified the figure, so that I gave less attention to the split halves of myself . . . This has happened as I have become more unified as a person . . . About five years ago I suddenly felt confident enough to do a whole person, all of me . . . I think these works were quite important as they were totally, completely and absolutely Lucy Jones." Indeed they are.

The nearest to a true 'Fauve' artist today: 'Lucy Jones 1996':

This is no special plea for an artist whose work requires no further justification than itself. We have only to acknowledge how impressive it is.

Across the road, Flowers East's other gallery holds an anthology of works by the gallery's stable of artists, which effectively gives the lie its supposed figurative bias. In truth its covers the field in variety and strength, from the figuration of Sinnott, Schiereoberg and Hepher to the abstraction of Forster, Gouk, Frost and Loker.

★

But London's best mixed show is the Hunting Prize Exhibition, at the Royal College of Art for the rest of this week. I must declare my interest. This year I was again chairman of the selection panel and, with our choice now on the walls beautifully hung by my fellow-panellist, Tom Coates, I am as delighted as I am relieved.

For these selections are an odd business, sieving a submission of some 1500 works down to the final 85, as it is this year. The selection goes on for the better part of three days and, as the works go round in ever-decreasing numbers, we worry that we must have missed the obvious, that the standard is not what it was, that the show will never come together.

But of course it has come together, and the Hunting Group's prizes handed out to the tune of a generous £22,000, of which £10,000 goes to the winner overall, Martin Fuller, for his pale expressionist woman on a swing.

Lucy Jones: Flowers East, 199 Richmond Road, Hackney E8, until February 23. The Hunting Art Prizes 1997: The Royal College of Art, Kensington Gore SW7, until February 16, then on to the Hunterian at Glasgow University; sponsored by the Hunting Group.

Opera/Andrew Clark

Lohengrin in light and shade

If the second act of *Lohengrin* is one of the supreme tests of a Wagner conductor, it seems churlish to point out that Valery Gergiev failed it at Covent Garden on Saturday, when so much about his way with the music was right. I would be hard put to recall a performance of the Act 1 prelude that sounded so pure, so seamless and so rapturous: even for the oldest *Lohengrin* hands, the sheer beauty of the music must have come as a surprise.

This sense of delight in rediscovering the score continued throughout the evening, as Gergiev unfolded phrase after phrase with subtle but purposeful insight – notable examples being the dream-like choral entry after Lohengrin's first declaration of love, and the variety of thematic nuance in the bridal chamber scene. The Orchestra of the Royal Opera House sounded not just exceptionally well prepared, but fresh and fired up: Gergiev lifts the spirit wherever he goes.

But what about that second act? This is one of those curious Wagnerian phenomena – Act 2 of *Tristan* and *Die Walküre* are the same – where a conductor's far-sighted sense of line must withstand the episodic diversions along the way. Perhaps Gergiev has yet to realise that the inner clock of Wagner's music has a different mechanism to Rimsky-Korsakov's. Whatever the case, his tempi sounded slack and stretched, lacking the interdependence on which this 90-minute span depends. And Gergiev's quest for chiaroscuro, so profitable in the outer acts, smothered the hysteria of the central act's confrontations.

Despite these shortcomings, Gergiev's was by the far the most interesting contribution to this revival of a 20-year old production, last seen in 1988. Elijah Moshinsky's staging is almost as bare-faced as the medieval relics under King Henry's throne in Act 1: this is culinary Wagner rather than music drama. The minimalist approach has virtues – especially in Act 2, where the location is conjured by little more than a gauze and the reflected light of a window. But the world has moved on since 1977; Wagner's "romantic opera", with its talk of messianic deliverance and unconditional female love, can no longer be taken at face value. That is why Moshinsky's uncritical stance is an anachronism.

Crisis of confidence: Karita Mattila and Gösta Winbergh Alastair Muir

The only way it would work today is if he had used the revival to develop vivid characters. This seems beyond Moshinsky's powers. The singers move around like archetypes in a *Sängerfest*, each falling back on accumulated experience. In the case of Karita Mattila, the audience's favourite, it is not quite enough. There was a blandness about her performance, an uncharacteristic lack of vulnerability and inner conflict, which her exteriorised handling of Elsa's Act 2 crisis of confidence only partly camouflaged. The tone was virginally pure and silken, but curiously inexpressive.

There were other disappointments. Sergei Leiferkus's Telramund was small-scale and unidiomatic, his lack of *Heldenbariton* credentials forcing him to chop note-lengths mercilessly. And while Gwyneth Jones, as Ortrud, looked younger than her 60 years, she somehow managed to sound much older.

By contrast, Gösta Winbergh's Nordic Lohengrin is maturing nicely. What the voice lacks in metallic ring, it makes up in flexibility and stamina, and Winbergh uses it intelligently: listen to the way he softens his tone whenever he turns to Elsa, or alights on the word "Taube" (dove) in the final soliloquy. René Pape's Henry and Anthony Michaels-Moore's equally fine Herald complete a cast which always seems to promise more than it delivers.

Carmen – the musical

The production is claimed to have cost £2m. The run of six shows has been extended to 10, so more than 60,000 people will probably have seen it by the end. The souvenir programmes cost £5 and there are three different designs of sweatshirts on sale.

Unfortunately, the statistics are the most noteworthy aspect. Following their commercial – though certainly not artistic – success with *La Bohème* last year, the Royal Albert Hall and Raymond Gubbay have again joined forces to present an opera for the masses. *Carmen* was an obvious choice and ticket sales suggests that an in-house opera is likely to become an annual attraction at the hall.

If nothing else, that means a few more years to get it right. After last year's artistic nullity, there has been a measurable improvement and this *Carmen* manages a score of – let's be generous – three out of ten. A re-arrangement of the stalls has put the orchestra in front of the makeshift stage instead of behind it, so this year's singers and conductor have a better chance of keeping together, which is a decisive advantage.

It is all a matter of taste. Would you prefer to spend the same to visit a real opera-house like the Coliseum and hear opera without amplification, as it was intended? Or are you so used to microphones in pop gigs and musicals that you cannot face singing of any other kind? All out-sized operas in football stadiums and the like are for the second group, who evidently constitute a big potential audience.

What they get here is *Carmen – the musical*. Frank Dunlop, hot-foot from directing *Heathcliff*, thinks he knows his audience and his opinion of them is not high. Rather than taking this opportunity to raise up a public aspiring to a higher art-form, he has sold Bizet's opera downmarket. Apart from a clever set designed by Ralph Koltai, all he delivers are nice costumes and second-hand ideas from the cupboard marked "Theatrical (Spanish)". If this was a Cameron Mackintosh show, it would be rated pretty stale.

Nor does the argument that it is "opera for the people" hold water. In 1989 an earlier arena-style presentation of *Carmen* did take Bizet seriously and turned out an exciting evening of drama and spectacle without any ill effects: that production attracted tens of thousands at Earl's Court in London and Birmingham.

There are two casts at the RAH. On Friday, Klara Uleman made a big-scale but hardly fiery Carmen, with a sizable mezzo voice that she had some trouble keeping in tune. Alan Woodrow's tenor fared well with the microphones and, as Don José, he sang the words movingly. Howard Quilla Croft's Escamillo did a tidy line in vocal triplets; Juliet Booth sang a secure Micaela. Virginia Kerr and Claire Powell, as Frasquita and Mercedes, showed some of the gypsy spirit missing elsewhere.

Conducting a trim BBC Concert Orchestra, Barry Wordsworth no more than skimmed the opera's surface but kept the pace swift, allowing dialogue over the music and leaving no time for applause between numbers. That is probably the evening's main virtue. It nips along like a *Carmen* half its size.

Richard Fairman

Performances until February 16.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Bartók Quartet: perform works by Mozart, Mendelssohn and Tchaikovsky; 8.15pm; Feb 13, 15

■ ANTWERP

EXHIBITION
MUHKA - Museum van Hedendaagse Kunst Antwerpen Tel: 32-3-2385960
● Raoul de Keyser: exhibition examining the postwar works of this Belgian abstract painter; to Mar 30

■ BARCELONA

EXHIBITION
Fundació la Caixa Tel: 34-3-4588907
● Sophie Calle: Sophie Calle is interested in photography as a tool with which to shape her projects which, in reality, are genuine literary scripts; she invites 28 people to sleep in her bed to photograph them at all hours, she takes shots of the movements of a stranger whom she follows during the course of a day through the streets of Paris, or she reconstructs the biography of the owner of a diary she finds in the street. The exhibition also presents the series that Calle took based on the stories by the American writer Paul Aster in his book "Leviathan"; from Feb 14 to Apr 27

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Akademie für Alte Musik Berlin: perform works by Bach, Schubert, Mozart and Mendelssohn; 7.30pm; Feb 14, 15 (3.30pm)

DANCE
Deutsche Oper Berlin Tel: 49-30-3438401
● Ballett der Deutschen Oper Berlin: perform Oleg Vinogradov's "Paquita" (after Petipa) to music by Minkus, Kenneth MacMillan's "Concerto" to music by Shostakovich and George Balanchine's "Agon" to music by Stravinsky; 11am; Feb 15

■ COPENHAGEN

EXHIBITION
Det Danske Kunstindustrimuseet - The Danish Museum of Decorative Art Tel: 45-33149452
● Ross Lovegrove Design: exhibition of plastic furniture design by the Welsh industrial designer who combines organic shapes and new technology to produce a range of goods, including leatherware, chairs, cameras, TV sets and lamps; from Feb 14 to Apr 13

■ DUBLIN

EXHIBITION
Irish Museum of Modern Art Tel: 353-1-6718666
● Beverly Semmes: New and Recent Sculpture: American artist Beverly Semmes uses sculptures to address issues surrounding the body and feminism. Tracing her work's evolution over the past five years, the exhibition features photoworks and large environmental installations as well as small sculptures; to Feb 23

■ GENOA

EXHIBITION
Palazzo Ducale Tel: 39-10-562440
● *Emanuele Luzzati - dalla scenografia all'illustrazione*: retrospective exhibition devoted to the work of the Genoese artist *Emanuele Luzzati*. The exhibition focuses on his work as a stage designer and illustrator from the 1940s onwards; to Feb 23

■ LONDON

EXHIBITION
British Museum Tel: 44-171-6361555
● Japanese Art in the British Museum: exhibition featuring more than 500 pieces of Japanese porcelain recently donated to the museum; to Apr 20

Design Museum Tel: 44-171-3786055
● Doing a Dyson: exhibition examining the rise of James Dyson, founder of the most powerful domestic appliance manufacturer in the world with a £250m turnover; to Feb 16

Tate Gallery Tel: 44-171-8878000
● Nicholas Pope "The Apostles Speaking in Tongues": exhibition showing sculptures by Nicholas Pope based on traditional religious iconography. These form part of a long-term design for a chapel the artist has been working on since returning to work following serious illness. In this group 12 standing figures, the Apostles, are surrounded by a small multitude. In all, there are 31 figures, each between 6ft and 8ft tall and worked in fired brick clay; to Feb 23

OPERA
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Palestrina: by Pfitzner. Conducted by Christian Thielemann, performed by the Royal Opera. Soloists include René Pape, Thomas Allen, Kim Begley, Kurt Rydl and Alan Held; 6pm; Feb 15

■ LOS ANGELES

CONCERT
Dorothy Chandler Pavillion Tel: 1-213-972-8001
● Los Angeles Philharmonic: with conductor/vocalist Bobby McFerrin and cellist Ben Hong perform works by Bernstein, Rimsky-Korsakov, Barber, Vivaldi and Bizet; 8pm; Feb 14

■ NEW YORK

AUCTION
Sotheby's Tel: 1-212-606-7000
● 19th Century European Paintings and Sculpture: highlights of the sale include "The Triumph of Christianity Over Paganism" by *Paul Gustave Doré*, "The Death of Moses" by Alexandre Cabanel and 'The Water Hole' by Adolf Schreyer; 10.15am; Feb 12

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Wozzeck: by Berg. Conducted by James Levine, performed by the Metropolitan Opera. Soloists include Maria Ewing, Graham Clark, Mark Baker and Falk Struckmann; 6pm; Feb 14

■ PARIS

CONCERT
Cité de la Musique Tel: 33-1 44 84 45 00
● Orchestra of the Eighteenth Century: with conductor Frans Brüggen perform works by Rameau; 4.30pm; Feb 15

DANCE
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● The Sleeping Beauty: a choreography by Rudolf Nureyev after Petipa to music by Tchaikovsky, performed by the *Ballet de* l'Opéra National de Paris; 7.30pm; Feb 13, 15, 16 (3pm), 17

EXHIBITION
Galerie Nationale du Jeu de Paume Tel: 33-1 47 03 12 50
● Jesús Rafael Soto: retrospective exhibition devoted to the Venezuelan contemporary artist Jesús Rafael Soto. The main focus of the exhibition is on his work in the mid-1950s. Included are his paintings on Plexiglass and a selection of recent works; to Feb 16

■ THESSALONIKI

EXHIBITION
Thessaloniki Cultural Capital '97 Tel: 30-31-867860-6
● Image and Icon: exhibition examining new Greek photography over the past 20 years. More than 280 photographs are on display by over 40 photographers. The exhibition is at the Macedonian Museum of Contemporary Art; from Feb 15 to Mar 16

■ VERONA

OPERA
Teatro Filarmonico Tel: 39-45-590109/800 2275
● Don Pasquale: by Donizetti. Conducted by Bruno Campanella, performed by the Orchestra e Coro dell'Arena di Verona. Soloists include Enzo Dara, Roberto Servile, Jose Bross and Lorna Windsor; 8.30pm; Feb 15

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European Money Wheel

18.00
Financial Times Business Tonight

Philip Stephens

Naming the day

The strategic advantage of picking election day is surely outweighed by the awful possibility of getting it wrong

It is a commonplace that the prime minister's discretion over the date of the general electioo bands a powerful advantage to the incumbent in British politics. I doubt somehow that John Major any longer agrees. Three dates are ringed on his calendar in 10 Downing Street. The earliest, March 20, is said still to be an option. But Mr Major has only a few more days to agonise before the timing slips from his grasp.

More mature democracies decided long ago that parliaments sbould have fixed terms, witb interim elections called only when a government loses its majority. But Britisb politicians have never sbaken off their silly superstition about the choice of polling day.

Its supporters will tell you that tbe prime minister'a prerogative to manipulate tbe election date to the advantage of his or her party is enshrined in tbe nation's unwritten constitution. That is nonsense. The concept of a maximum parliamentary term dates from the 17th century. It is rooted in struggles not between government and opposition (though Whigs and Tories first appeared at this time) but between the monarcb and parliament.

During the 1660s and 1670s, Cbarles II kept tbe same parliament for 17 years, a tactic wbicb allowed his cbief adviser, the Earl of Danby, to fill Westminster witb tbe King's courtiers. The later Triennial Act of 1694 was designed to clip tbe monarch's wings by forcing him to dissolve parliament every three years. The maximum term was subsequently set at seven and, in 1911, at five years. The intention always was to curb the power of the Crown ratber than to give untramelled discretion to the prime minister.

But the mytbs persist, reinforced by ibe perception that to cboose is to win. Thus Margaret Thatcher could capitalise on her victory in the Falklands war by calling an early election in 1983. Four years later she did tbe same thing, this time to maximise the gains from aligning the political witb tbe economic cycle. And, as Nigel Lawson recounts in his mamoirs, abe always saw May and June as her lucky mooths.

As it happens, prime ministers have got it wrong as often as they have got it right. James Callaghan had great fun teasing the nation about his intentions in the autumn of 1978. But bis decision to delay until the following spring sealed his government's fate. In June 1970 Harold Wilson went early and was punished for bls opportunism with defeat. Edward Heath failed to learn tbe lesson and lost in February 1974.

The prime minister's personal prerogative is of relatively recent origin. Before 1945, the choice of polling day would be widely discussed in cahinet. Wilson followed tbat practice in 1970, tbougb only in an attempt to ensure that his colleagues were fully implicated if it turned out be had made a mistake. Since then, tbe prime minister of the day has relied on the advice of a few cronies.

Thus over lunch last week one of the senior members of Mr Major's cabinet offered what he saw as a compelling case for the election to be delayed until May 1. Asked whether his advice would be taken, he knew only as much as you or I. When the prime minister's mind is made up be will inform rather than consult his cabinet.

> The concept of a maximum parliamentary term dates from 17th century struggles between the monarch and parliament

As far as one can gather, Mr Major has not yet reached that moment. Aides will tell you that be bas long had an emotional as well as a practical attachment to May 1. But he has also been seriously toying with the idea of gambling on March 20. He was furious when Conservative Central Office seemed to box him in by briefing the press that be had all hut settled on the May date.

Even yesterday tbe coded messages in Whitehall indicated that the prime minister had not yet ruled out a visit to Buckingham Palace to ask for a dissolution sooner rather than later.

Of course, it could all be a bluff. But tbe case for March 20 is clear enough. It would allow Mr Major to avoid the potential bumiliation of a crushing defeat in the Wirral by-election, currently scbeduled for February 27. Tories on the ground report tha outlook is as grim as the opinion polls suggest. Tony Blair's New Labour is beading for a comfortable victory.

An early poll would also liberate Mr Major from Westminster, where all the news these days seems to be bad for the government. The Ulster Unionists, upon wbose support be relies, are unreliable allies. A triumpb for Labour in tbe Wirral would tempt Mr Blair to table a motion of no confidence. The prime minister could not be sure of surviving it. And by going earlier, he could get on with what be does best – campaigning in the country.

Several of his colleagues have been making such points directly to Mr Major including, it is said, Kenneth Clarke, the chancellor. But others, like my lunch companion, have been making the opposing case with equal force.

The Unionists, this latter group says, have no interest in forcing an election at the point of maximum advantage for Mr Blair. The last thing they want is a Labour landslide which would wipe out their influence at Westminster. Soldiering on until May would be a worthwhile risk for the government.

Most Tory MPs share this view. The economic upturn is making its mark. These MPs bave been telling party managers tbat opinion is beginning to turn in their constituencies. Not by enough, most think, to save the government from defeat, but perhaps by a margin sufficient to avoid electoral meltdown. Disdain for the Conservatives is not mirrored by entbusiasm for their opponents. Delay would further fray Labour'a already jagged nerves.

Eitber way, Mr Major does not have long to make up his mind. If be opts for March 20 he must call the election within the next week or so. Beyond tbat, April 10 would remain a possibility, but the prime minister's reputation would be staked firmly on his survival until May 1. As of now, the betting is that be will try to hold ont until then, but we cannot be sure.

We can be certain that, if he loses, Mr Major will be blamed for getting the timing wrong. And these months of feverish speculation will have delivered another blow to the dismal standing of the politicians. Sadly, the future bolds little hope of cbange. In 1992, Labour promised to introduce fixed-term parliaments. Now it is silent on tbe issue. Mr Blair bas swallowed the myth. He wants his turn at naming the day.

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on tha FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Internet traffic on familiar road

From Mr Zachariah Allen.

Sir, With reference to your article "Home telephones under siege" (February 1/2), the ambition of "the telephone company" to cash in on Internet traffic is déjà vu all over again.

In the early 1970s, time-sharing took the US market by storm, admittedly a small storm in comparison with today's Internet hurricane. Mainframe computer providers such as GE offered access to their computers on a local dial-up basis to those which had established accounts to access mainframe computers with teletype terminals. The service was a little like a one-site Internet system, and included the ability for users that were simultaneously online to communicate with each other. Messages could be sent between users as well, a crude precursor to e-mail. But the main attraction was mainframe computational capability for people who could not afford mainframe computers (and few could). In this sense, it was the father of the PC.

Users were able to call in for the price of a local call, which was zero in many parts of the US. "Ma" Bell decided that this was an opportunity too good to miss, but since the Bell companies were then precluded from offering a competing service on their own, they had to find some other way to cash in on the service of others. Using the argumant that these services were getting a free ride – exactly the same argument being offered today – they came up with a class of telephone service called "Information Systems Access Lines", or ISALs. They sought to introduce this as a test in Illinois in about 1971.

GE information systems division retained a prominent mid-western law firm and a New York consulting firm to support their opposition to the ISALs. I was project manager for the consulting firm on this assignment. We examined the basic economics of the different use patterns and were able to show that the computer terminal customer was on average a less costly customer than the business user. The ISAL tariff was withdrawn. Although I doubt many are around today who remember this episode, the ISAL is exactly what the American and Britisb telephone service providers are now leading up to.

Zachariah Allen,
ul. Snopowa 1,
04-689 Warsaw,
Poland

Take-up is challenge for microcredit

From Mr Bill Linton.

Sir, If the Clinton administration is indeed arguing that microcredit should not and need not be dependent on anything other than the mainstream market economy ("Big role for the small loan", February 6) then it is surely being over-optimistic.

Certainly the larger, more mature microcredit lenders such as the Grameen Bank can, should and do seek funds on the open market but it took Grameen nearly 20 years to reach that point. The vast majority of lenders are tiny organisations, serving a few bundred clients, who will need grants for several years, then concessional loan for a few more, before they graduate to "tha icy waters of strict market economics" – if they ever do.

Grameen, though, and a few other big fisb – Finca, BancoSol, Accion – are already swimming successfully in those icy waters, and it is they who will lead the take-up of the $8bn of commercial funds whicb the Microcredit Summit Plan of Action foresaw the need for. The take-up will need to be demand-led bowever, and it will be in creating the capacity to absorb that amount of money that will be the real challenge for microcredit enthusiasts lies.

Bill Linton,
39a Fox Lane,
Palmers Green,
London N13 4AJ, UK

Italian diplomats in Nigeria not recalled

From Mr Umberto Plaja.

Sir, Your article "Nigerian visa fraud may spread wider" (January 24) contains inaccurate information wben it refers to "a scandal at the Italian embassy last year involving the issuing of fraudulent visas to prostitutes and others culminated in the recall of several diplomats".

No Italian diplomat has ever been recalled to Rome from Lagos over such an issue; neither has any other officer. Of the three locally employed Italians who have been investigated on that case, one has been fully acquitted and the other two have been suspended from work as long as the investigation takes its course. It will only be after the trial, dne to begin shortly in Italy, that we will know whether any misconduct will be established beyond any reasonable doubt.

Umberto Plaja,
Italian ambassador,
12 Eleke Crescent,
Victoria Island,
Lagos, Nigeria

Pledges on Zaire must be kept

From Dr Christopher Besse.

Sir, Your editorial on the crisis in eastern Zaire ("Mobutu must go", February 7) is right to argue that "the immediate problem is how to get assistance to the refugees". This is an urgent issue which has been consistently underplayed in government and news reports. The scale of this refugee crisis is now becoming clear, with bundreds of thousands of people trapped deep in the rainforest. Many of them are suffering from disease, malnntrition and war wounds. Their needs are great but they are being largely ignored by the international community.

Meanwhile, aid agencies like ourselves, which have experience of providing frontline medicine in Rwanda and Zaire, are obstructed by the security situation in the region. Since the recent killings of foreign aid workers in Rwanda, we have had to withdraw our doctors and nurses to Kigali for their own safety. We have the medical experience and the local experience to save hundreds, maybe thousands, of lives in eastern Zaire, but we need genuine guarantees of safety for our field staff.

This is how the international community can help swiftly and effectively. Concerned governments made a commitment to do so in a UN resolution last November which pledged to provide safe corridors for bumanitarian aid to reach stranded refugees in eastern Zaire. For the sake of the refugees still suffering in this conflict, governments must now honour their pledges.

Christopber Besse,
chief executive,
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The long march

Peter Montagnon on the obstacles to better Sino-US relations

Ms Madeleine Albright, the new US Secretary of State, sets out for China later this month on the first steps of a long journey designed to culminate in a summit between Presidents Bill Clinton and Jiang Zemin this autumn. But an equally important aim will be to develop a more stable relationship between the US and Asia's fast emerging superpower after the difficulties between the two countries during President Clinton's first term.

At ber Senate confirmation hearing Ms Albright stressed China's importance to tbe US and "the need to pursue a strategy aimed at Chinese integration, not isolation". But foreign policy analysts in Washington say forging a productive new ralationship is easier said than done.

Human rights issues could easily resurface in connection with tbe bandover of Hong Koog, tbey say, and China's growing military strength remains a serious concern.

"The only thing new and improved in the relationship is the mutual realisation by tbe countries' two leaders that peace makes for better domestic politics," says Mr Richard Fisher of the right-leaning Heritage Foundation think-tank.

There would be benefit for botb presidents io an improvement in relations between the two countries. Mr Jiang could lncrease his stature at home by being received with pomp and circumstance on a US state visit. Mr Clinton oeeds to sbake off accusations that his previous lack of leadership on China allowed the two countries to lurch from crisis to crisis on subjects as diverse as buman rigbts, trade, Taiwan and nuclear proliferation.

State department officials say the new approach aims to recognise China's growing importance and engage its co-operation on several fronts witbout focusing on any single issue. "This meana getting away from pitting one priority against another," says one.

Mr Clinton began his first term by linking trade concessions to human rights. Then, under pressure from the business community, he reversed that policy, confusing China and creating the impression be was vulnerable to manipulation by US lobby groups and Congress.

Analysts say it helps that tbe White House is now mucb more focused on China. Mr Clinton again stressed the importance of the relationship in his State of tbe Union address last week. The expected appointment of Mr Stan Roth, a respected China expert witb administration experience, as tbe State Department's senior official on Asia, is also encouraging.

Reuter

Madaleine Albright: stressed China's importance to the US

The sense of outrage in Congress that followed the 1989 Tiananmen Square massacre has abated, they add, allowing the White House to regain some of the Initiative. Not only are US politicians aware that in China they are dealing with an increasingly important economic power, but the Taiwan Strait missile crisis last Marcb reminded them that the bilateral relationship could also involve issues of war and peace. Congressmen are less inclined to use China for partisan point-scoring at home.

"When tbey really stop and think about it, leading figures in the administration and in Coogress must conclude that it is just not in our interest to have a confrontational relationship for tbe long term," says Mr Richard Solomon, director of the US Institute of Peace, a foreign policy researcb institute.

However, a successful handover of Hong Kong to China is essential to maintain progress on a new relationship, Mr Solomon warns. "Tbe way China bandles Hong Kong could destroy the credibility of the president'a policy for engaging China."

His fear, shared by government officials, is that suppression of democracy and civil liberties in Hong Kong will cause a becklasb in Congress, pushing human rights back to the top of the agenda and preventing progress on other fronts. The risk is all the greater given the wall-to-wall television coverage the Hong Kong handover ceremony is scbeduled to receive in the US.

Moves are already under way in Congress to defer a decisioo to grant China the privileged most-favoured-nation trade status until it can be seen how Beijing treats Hong Kong. The annual debate on renewal bas often led to bilateral tensions.

Separately Mr Jesse Helms, the outspoken Republican senator, has proposed barring members of Cbina's appointed provisional Hong Kong Legislative Council from entering the US.

State Department officials acknowledge that Sino-US relations are likely to cool during the summer whan Hong Kong reverts to China. But they hope any chill will ba temporary. There are already signs that Mr Clinton's more measured approach, introduced in the later months of his first administration, is bearing fruit, they say.

China is respecting the undertakings it gave on the export of nuclear-related material after the US complained about sales of ring magnets to Pakistan last year. The two aides this montb successfully negotiated an end to their disputes on textile trade. China is showing more flexibility on its negotiations to enter the World Trade Organisation.

Top-level meetings, frozen after President Lee Teng-hui of Taiwan visited the US in 1995, have also resumed.

But analysts say Taiwan is already ahowing signs of exploiting tbe handover of Hong Kong to push its case for greater international recognition. President Lee is expected to use an autumn visit to Panama to embarrass the US and put obstacles in the way of a closer relationship between Washington and Beijing.

And aecurity concerns remain strong. Mr Fisher of the Heritage Foundation says the People's Liberation Army is acquiring increasingly sophisticated weapons, many supplied by Israel and Russia.

Efforts by the Pentagon to open up to China and exchange information have proved fruitless, be saya. The recent visit to Washington by Mr Chi Haotian, China's defence minister, was hailed as a breakthrough in repairing relations, but the reality was different. "This man gave us nothing while we showed him a great deal about our present capabilities and our future plans," says Mr Fisher. "It was a near useless response."

In the long march to a summit, Ms Albright and Mr Clinton will have to plot a careful course if they are to build the better relationships both countries are seeking.

COMMENT & ANALYSIS

FINANCIAL TIMES

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Mr Kohl's dilemma

Last week's unemployment figures in Germany were scarcely a shock, hut were nonetheless shocking. The jobless level in the two halves of the country combined is the highest since 1933. In the prosperous west, more than one in 10 is out of work. In the east, the rate is 18.7 per cent of the workforce, not including those still on joh creation schemes and those who have withdrawn from the labour market. It makes grim reading, not least for the country's political leaders.

At the same time, Chancellor Helmut Kohl, fresh from celebrating his record as the country's longest-serving chancellor since the war, seems to be losing his political touch. The young Turks in his own ruling party are rehelling over his plans for tax and pension reforms. His miniaters are sqnabbling in pnblic, and his attempts to impose order are falling on deaf ears. Rumours about his succession are growing louder, with open speculation that he may stand down, as he seemed to promise back in 1994, before next year's election.

And yet, as so often in Germany, the signals are thoroughly confusing. The stock exchange, for a start, seems unfazed by the unemployment figures and the political drift: Frankfurt's DAX index yesterday hit a new record once again, and seems set to pass 3,200 in the coming days.

Certainly it would be absurd to draw any parallels, other than the purely statistical, between the johless totals of 1933 and 1997. Germany today is e thoroughly prosperous place, with an extremely stable democratic system. But it does have very real economic problems, and they are proving tough to resolve with a elow-moving, consensual political process. The challenge of unifying two very different countries since the fall of the Berlin Wall has only made it more difficult.

As far as unemployment is concerned, there are two different, although related, problems to resolve. In the east, there is still no sight of the self-sustaining economic growth needed to revive manufacturing industry. The very sharp rise in winter unemployment is largely due to lay-offs in the construction industry, which has provided a disproportionate number of new jobs. Wage costs are too high and productivity is still too low for jobs to be created on the scale required.

In west Germany, costs are also the problem, above all the ancillary wage costs of social security payments, penstons, health insurance and taxation. That is precisely what Mr Kohl is trying to tackle with his proposed tax and pension reforms. And yet even modest plans to reduce taxation and curb welfare costs have split the ruling party. If genuine reforms are to be implemented, clear leadership is needed.

It is far too early to write off the chancellor, who always seems to wallow in mid-term blues. His rivals in the opposition, like Mr Oskar Lafontaine and Mr Gerhard Schröder, still lag far behind in the polls, even if their party has drawn level. But Mr Kohl's record of slapping down all potential rivals within his own party means that he also lacks any obvions heir apparent. And that compounds the impression of squabbling and rebellion from the ranks.

Vitriolic front

On Sunday the far right National Front (FN) won control of its fourth French municipality, adding Vitrolles, one of the less charming suburbs of Marseilles, to the three other south-eastern towns which it gained in 1995.

As always, special factors help to explain the result. Provence-Côte d'Azur, facing Algeria across the Mediterranean, has a large population of North African origin which tends to be concentrated in areas of high unemployment and rampant crime. The Socialist mayor of Vitrolles, who scraped back in by 353 votes in 1995, is being investigated for corruption and had quarrelled with several of his colleagues. It is e run-down working-class district in which the moderate right has never had much support.

None of thet is much consolation for France's mainstream parties. Vitrolles may be an extreme case, but it is symptomatic of much that is wrong with France as a whole: economic stagnation, political corruption, personal insecurity, all tending to produce a general *morosité* towards the political establishment and a willingness to turn to the extremes.

The Socialists are too tainted with corruption and the memory of their years in power is still too recent for them to form e credible opposition. Few people imagine they would introduce significant changes in policy, any more than President Jacques Chirac has done for all his campaign rhetoric in 1995; and when they try to sound different they seem to be harking back to the bad old days of nationalisation.

But the dilemma is worse for the governing conservative parties, which have both to compete with the FN and to differentiate themselves from it. In Vitrolles the conservative candidate (who won only 16 per cent of the vote on the first ballot) stood down, urging his supporters to vote with their consciences while expressing his own "absolute opposition to the FN'e views". But enough swung to the FN to giva it victory, even in an increased turnout.

Unless the French economy picks up and the parties of centre-left and centre-right begin to regain the electorate'e confidance, they may find themselves condemned to govern together after next year'a election, as they did in the Fourth Republic. In those days, ironically, it was the Gaullists who were seen as too rightwing to be allowed to share power.

Chernobylitis

After the cataclysmic explosion of Ukraine'e Chernobyl No 4 nuclear reactor in 1986, the industrial powers offered $1.8bn in soft loans to ensure the closure of the other three reactors on the site. An obvious remedy seemed to be to complete and upgrade two more modern reactors in other parts of the country, left unfinished seven years ago. Now a study for the European Bank for Reconstruction and Development suggests that this would be to throw good money after bad.

This mey seem surprising, since the plants were said to be 70 per cent completed and look almost operational to the casual eye. However, in the seven years since the projects were abandoned, the plant has deteriorated; and even after the addition of modern safety features, they could not be fully protected from the danger of fire in electrical cables.

To Ukrainians, suffering regular power cuts, this may appear a heavy blow. But Ukraine's supply problems are the result of severe economic contraction rather than shortage of generating capacity.

Although only one of the original four Chernobyl units is now in service, the country still has about twice as much plant as it theoretically needs to meet peak demand. Because many consumers cannot pay their bills, there is not enough money for fuel or maintenance to keep the turbines turning. Two new reactors might reduce the power cuts for a while. But they are not the best use of foreign cash, especially in a country with a poor nuclear safety record.

Nor is the need for a political bribe to ensure the closure of the Chernobyl site as urgent as it was 11 years ago. One reactor is shut down because its fuel is spent and another is out of service because of a fire in the turbine hall. The last operational unit on the site will exhaust its fuel element in about five years.

This may seem too long for a reactor of unsafe design, but the Ukrainian government might be prepared to accelerate closure if there were a sensible alternative. There is: big improvements can be made to the efficiency and safety of the existing electricity industry, while introducing more realistic pricing would cut waste and curb demand.

This is what western aid and know-how should be aimed at achieving. The EBRD must not abandon economic sense in the face of political pressure, or of the inchoate fears which the Cherno-word can still inspire.

New setting for old partners

Russia has little choice but to sign a deal with the leaders of the world's diamond cartel, says **Kenneth Gooding**

A year ago the world's diamond industry breathed a collective sigh of relief when Russia said it would sign a new contract with the producers' cartel organised by De Beers of South Africa.

The markets had been nervous at the prospect of the world'a second largest producer falling out with the cartel – arguably the most successful organisation of its kind and one credited with maintaining a steady rise in the price of rough, or uncut, diemonds over the decades.

A memorandum of understanding was signed and De Beers and Almazy Rossii-Sakha, Russia's biggest diamond miner, were expected to finalise details of the new contract io a matter of weeks. But by December the deal had still not been finalised, and on January 1 De Beers cut the formal links between the diamond cartel and Russia.

Two or three years ago a split hetween Russia and De Beers would have caused convulsions in the diamond market and sent the De Beers share price into a sharp fall. But none of this happened: most in the industry believe that the Russians have little choice but to sign a new contract – and soon.

"In the space of a few weeks the mood in Russia has changed from hostility to the new contract to acceptance that it will be signed," says Mr Mark Cockle of CRU International, the London-based mining consultancy.

For 30 years, since it first began to mine diamonds, Russia has been one of the cornerstones of the cartel. Its support for what De Beers calls "single channel marketing" was seen to be essential. Even during the apartheid era, when South Africa and the Soviet Union were at opposite ends of the political epectrum, the links were maintained via a complex chain of intermediaries.

The mutual benefits were illustrated by the development of the relationship after the collapse of the Soviet Union. In 1990 De Beers loaned Russia $1bn – more than any country offered at that time to help the Russians deal with their shortage of hard currency.

In return De Beers shipped diamonds from the Russian stocks to London as collateral for the loan and signed an exclusive, five-year marketing agreement – thus ensuring Russia would not be tempted to raise money quickly by dumping diamonds in the west.

When the 1990 agreement expired, De Beers agreed to continue as if it was still in place while negotiating e new one with Almazy Rossii-Sakha. This meant that De Beers' London-based Central Selling Organisation continued to be committed to buying Russia's diamonde at a predetermined price in good or bad times.

However, relationships deteriorated over claims by De Beers that Russia had flagrantly disregarded the 1990 marketing agreement. It accused Russia of bypassing the cartel, by "leaking" diamonds directly to the west – leaks that surged to $80m a month at one stage last year.

De Beers also suggested the Russians were carefully presorting the diamonds sent to the cartel and removing those thet were most in demand. In effect, the Central Selling Organisation was being turned into "a buyer of last resort".

"If the terms of the old agreement had been followed, we could have stuck with it," says Mr Gary Ralfe, managing director of the CSO. "Instead there have been leakages. We have not had a proper contract for three years. We had to perform, they have not."

On the Russian side, some complained that De Beers was not paying enough for Russia's diamonds. They found it hard to understand why Russia, which contributed about 20 per cent of the cartel's rough diamonds, did not have a say in the operation of the Central Selling Organisation or the way it fixed prices.

There were also suggestions that a new contract witb De Beers would hold back Russia's efforts to develop its own diamond-cutting industry. "De Beers must come to terms with the fact thet Russia itself can process all the diamonds it produces," says Mr Evgeny Bychkov, president of the Russian Association of Diamond Manufacturers.

All this is very frustrating for De Beers. Although it reached agreement on the terms of a new contract with Almazy Rossii-Sakha, the process took much longer than expected because of presidential elections, President Boris Yeltsin's ill-health and political infighting.

There bave been more bureaucratic delays because Komdragmet, the state committee for precious metals and stones, was disbanded and its activities split between two ministries. The draft contract agreed in October has been passed between departments and is still awaiting the vital presidential signature.

Meanwhile, the Central Selling Organisation is buying only those Russian diamonds it wants to buy at prices it is prepared to pay. Retail sales of bigger diamonds are doing well at present – the CSO reported record sales of $4.83bn for 1996 – hut the market for smaller, cheaper and near-gem rough diamonds is more hrittle.

Traders suggest the new contract would have involved the Central Selling Organisation buying about $600m a year of these smaller stones which Russia might now have difficulty in selling. The CSO would also have committed to huying ebout $500m a year of bigger rough diamonds but might now be able to pick aome of these up et a lower price from western traders who have bought them directly from the Russians.

"We can now approach whoever we like on whatever basis we want and we have more freedom to buy more on the secondary market," says Mr Ralfe. "We have been inhibited in the past [buying Russian diamonds leaked to the west on the secondary market] because we did not want to bankroll the people involved in the leaks."

The certainty thet the Central Selling Organisation is still willing to use its big financial power to support at least the top end of the rough diamond market is one reason why the severing of links with Russia has caused no market panic. But traders have also been reassured that the market will not be deluged with Russian diemonds – as many feared two or three years ago.

Not only is Russian production euffering some difficulties, it has also been clear for some time that the country's diamond stocks are running low. This was confirmed recently by the Accounting Chamber, a Russian parliamentary wetchdog committee, which warned thet the stocks would be exhausted by the middle of next year if sales went on at the same rate as in 1995-96.

There is also a widespread feeling that De Beers and the Russians will settle their differences before long and sign a new contract. Officials on both sides have been insisting they are still determined to do so.

One reason for this change of heart among previous opponents to the deal may be that Russia's industry has realised thet it can bardly build its own diamond-cutting industry if the mines do not produce enough diamonds.

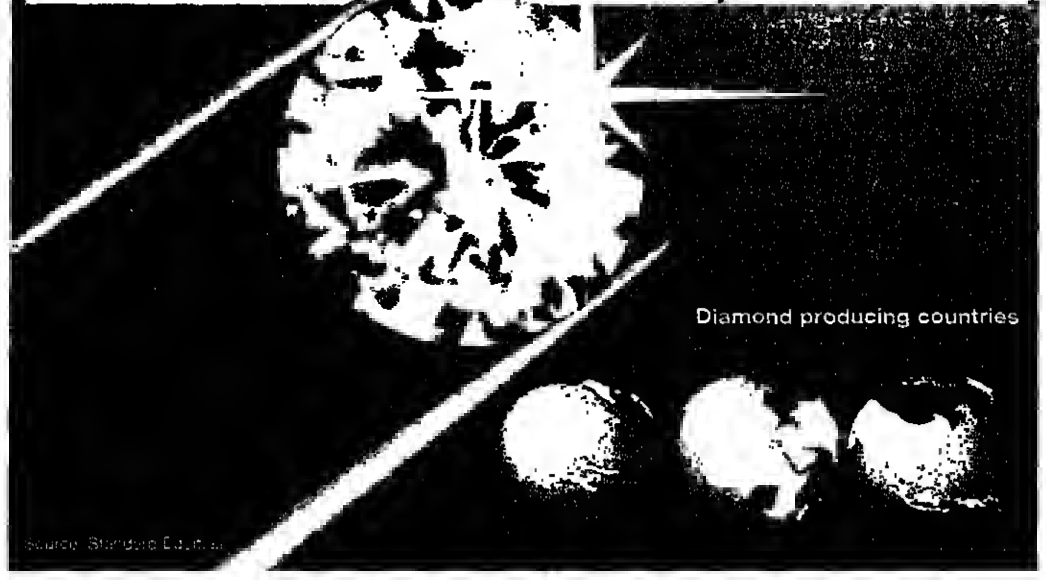
Russia needs to modernise its existing mines and develop new ones if it is to have a long-term future in the business. But revitalising the mining industry will require substantial capital and a great deal of it will have to be provided by western companies.

Russia already has had a taste of what to expect if it has no secure links with De Beers. Almazy Rossii-Sakha has been trying to arrange a $500m loan with a group of western banks led by NatWest Markets of the UK. The first tranche, to be used to replace the company's ageing vehicle fleet, will be paid out only when the banks know it has a guaranteed export outlet for its production.

And that, they insist, can be provided only hy e new marketing contract between Russia and De Beers.

Russia: a cornerstone of the cartel

	Carats (million)	Average price ($ per carat)	Value ($m)	World value (%)
Botswana	16.8	105	1,764	24
South Africa	10.0	105	1,050	15
Angola	3.2	230	750	10
Zaire	15.0	30	450	6
Namibia	1.4	315	422	6
Other Africa	2.8	140	390	5
Total Africa	49.2	98	4,826	66
Russia	10.0	140	1,400	19
South America	4.0	100	400	5
[illegible]	40.0	9	360	5
Illicit	0.3	750	200	3
[illegible]	[illegible]	[illegible]	100	1
Non African	55.3	45	2,460	34
World	104.5	70	7,286	100



A cluster of interests

Mr Vyacheslav Shtyrov, head of Almazy Rossii-Sakha, blames "powerful forces" in Moscow for the Russian federal government's delay in approving a preliminary three-year agreement signed with De Beers in February. They wish to grab control of the industry, be believes.

Russia'a diamond industry is chiefly clustered around the town of Mirny in the Sakha repnblic, formerly known as Yakutia, where it belps sustain 1m inhabitants in an area five times the size of France.

Relations between Almazy Rossii-Sakha and the republic's government are extremely close, to the point of being almost indistinguishable – Mr Shtyrov is also vice-president of Sakha.

Mr Mikhail Nikolayev, the president, has jealously guarded the industry against interference from Moscow. Like several other powerful regional leaders, he has tried to chart an increasingly independent course from the centre.

But the Kremlin believes it has given snch regions too mnch financial antonomy. And the agreement witb De Beers is e useful weapon to curb the ambitions of the Sakha repnblic.

The wily and respected Mr Nikolayev wes overwhelmingly re-elected to serve e second term in December, strengthening his hand in negotiations with tbe federal government. But the federal tax service has launched an aggressive campaign against Almazy Rossii-Sakha, claiming it is gnilty of tax frand. The tax police last montb seized documents and assets at the company's lavisb Moscow office and at its headquarters in Mirny.

Almazy Rossii-Sakha has furiously denied the charges, saying it is obliged to pay taxes only to the local government, under the terms of a power-sharing treaty signed between Moscow and the Sakha republic. It also hints that it is Moscow tbat has heen responsible for leaking diamonds on to the world market to undermine the company's credibility.

John Thornhill

OBSERVER

France casts the die

■ Germany may have wobbled over whether Europe's single currency can go ahead on time, but in Paris there's clearly no such self-doubt – the French mint has already completed a trial production run of the new euro coins.

The coins' final design won't be settled until European Union leaders meet in Amsterdam in June. But that hasn't prevented the French – ever-eager to stay ahead of the game – from ploughing on and minting samples of each of seven different denomination coins.

For now, the trial coins bear images of the mint's own headquarters building, but the die will be easily changed once EU leaders have pronounced. After that, the French treasury intends to make sure the euro becomes a fait accompli by switching most of the mint's production to the new coin.

Thus by 2002, when the single currency is due to go into circulation, there simply won't be enough franc coins left.

Nothing personal

■ Alain Juppé, France's prime minister, faces not only flagging opinion polls and regular rumours about cabinet reshuffles; now he's starting to haemorrhage top advisers.

The Matignon announced yesterday that Jean Chodron de Courcel – who was only appointed last year as head of Juppé's private office – had resigned "at his own request and for personal reasons."

Maybe he just felt overworked. After all, his job included responsibility for economic affairs, a poisoned chalice if ever there was one, given the miserable performance of the government's recent abortive privatisation efforts, as well as the persistent burden of low growth and high unemployment.

There again, de Courcel, a high-flying civil servant, should have little problem in finding a new job. After all, a cousin of his is Bernadette Chirac, whose maiden name is Chodron de Courcel; and she of course is wife of the French president.

Nelson's nemesis?

■ Political parties always regard discussion of the source of their funding as somehow being in bad taste. Even supposedly politically correct ones, such as South Africa's African National Congress, tend to squirm when the topic crops up.

Indeed, so upset was the ANC last year about allegations that it had quietly received cash from Sol Kerzner, the hotel magnate, that the man making the allegations, Bantu Holomisa, was kicked out of the party. No matter thet President Mandela later confirmed money had been received from Kerzner, or that Holomisa had topped the list in elections to the ANC executive.

Now Holomisa is promising to exact his revenge, by forming his own party to challenge the ANC. The one snag is that he doesn't have any money. If members want to get together they have to pay their own airfares. Given Holomisa's scruples, benefactors might be hard to find.

US memorials

■ There will be plenty of wistful transatlantic recollections in Washington DC on Thursday. The funeral service for Pamela Harriman, US ambassador to Paris at the time of her death, will certainly pack the National Cathedral, but just a few hundred yards away and a short time later Sir John Kerr will play host at the British Embassy to another noteworthy occasion.

It will commemorate Lord Sherfield, who died last November and who, as Roger Makins, once lived in the grand ambassador's residence on Massachusetts Avenue. His diplomatic career – and a later one in the City – will be recalled by others who have known both fields, among them George McGhee, the Texas oilman and ambassador, and Charles Francis Adams of Raytheon (Lord Sherfield was chairman of the company's European board).

But to Americans be was viewed with particular affection as the godfather of the Marshall Scholarship programme, which has sent thousands of the best and brightest to study in British universities, including at least one who subsequently made it to the staff of the FT.

Bang Bangkok

■ It's not only financial health that's under threat in Bangkok's investment community. Bankers and brokers are also worrying about their physical safety when they call in loans. Some borrowers seem to think they're big enough to avoid the law, as well as their obligations.

One banker tells Observer about the wife of a police officer, who warned his bank'a board of "severe consequences" if it tried to seize her collateral on a bad loan. "We checked her out and indeed her husband was a policeman, but he was only a captain. Obviously he's got a gun but we didn't think he had much influence. So we foreclosed." Good to see them bite the bullet – even at the risk of taking one.

The Financial Times

100 years ago

Worries in Montevideo
Some days go we quoted from a private letter received from a well informed correspondent in Monte Video, who took a very unfavourable view of the situation. A second letter has now arrived from the same gentleman, in which he says: "I do not think there is much in the rumours of revolution, bnt financially things are very serious. The Treasury is empty, expenditure is ever increasing and public opinion is more and more adverse to the Government. I expect that the latter will soon be in open hostilities with the new legislature, and am therefore afraid thet 1897 will be a bad year for all interested in Uruguary securities."

50 years ago

U.S. Pay Claim Dismissed
Detroit, 10th Feb. Federal Judge Picard on Saturday dismissed a suit by pottery workers here, seeking "portal to portal" pay for time spent on company premises exclusive of actual working time. It was a case watched closely by industry and labour throughout the United States since "portal suits" involving nearly $5,000 millions have been filed by workers seeking such pay in various parts of the country.

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Japanese surplus drop hits G7 dollar action

Economists expect further weakness in yen

By William Dawkins in Tokyo

The announcement yesterday of a 31 per cent decline in Japan's current account surplus for 1996 undermined weekend attempts by the Group of Seven leading industrialised countries to halt the rise of the dollar.

The US currency weakened in Tokyo to nearly Y120 before the current account figures were announced, but strengthened to Y122 as the market digested the consequences of a continued rise in imports to Japan.

Economists said the surplus, broadly in line with expectations, would lead to further yen weakness against the dollar.

G7 finance ministers, meeting in Berlin on Saturday, had pressed for a cap on the resurgent dollar.

In spite of yesterday's further strengthening of the US currency, the Japanese government appeared confident that the G7 statement would stop the yen's decline, which has contributed to financial institutions' instability and driven up the cost of imports.

Mr Ryutaro Hashimoto, the prime minister, said the G7 had made the declaration Japan wanted.

The decline in the current account gap, for the third year in a row, brought the surplus to Y7,180.6bn ($59bn) after a 23 per cent decline in December, according to the finance ministry.

It was the smallest annual surplus since 1990. The Japanese said at the G7 meeting that the trade gap was continuing to shrink, in spite of US industry's concerns over a rise in Japanese exports.

Some of these concerns seemed to be supported by yesterday's figures, which showed a strong rise in exports last year – by 8.2 per cent to Y43,571bn – helped by the yen's weakness.

But that was outstripped by a 23.4 per cent growth in imports, to Y34,456bn, a sign of the extent to which Japanese industry has shifted capacity to cheaper locations offshore during the yen's rise over the previous decade.

The data provided further evidence that the decline in the surplus could slow down in the next few months. Exports rose by a seasonally adjusted 6.4 per cent from the third to the fourth quarter, helped by the yen's recent fall, displaying far faster growth than the 0.7 per cent of the previous three months.

On the capital account, there was a sharp decline in the net outflow of investment funds last year, to Y344bn from Y2,270bn in the previous year. This was mainly due to record gross foreign purchases of Japanese securities last year, the prelude to the market collapse in early January, amounting to Y27,750bn.

Dollar firm despite G7, Page 7

Russians raise their glasses to the joys of capitalism

By John Thornhill in Moscow

An opinion poll has finally confirmed what many Russian communists have long suspected: drunks prefer capitalism.

A survey of 2,404 Russians, conducted by the VTsIOM polling organisation, found a strong correlation between alcohol consumption and positive attitudes towards economic reform.

While teetotal Russians tended to hanker after the days of Soviet power and wanted to stop market reforms, their free-drinking compatriots favoured pressing ahead with the capitalist experiment, adopting a far more devil-may-care attitude to life.

Mr Boris Yeltsin, Russia's reforming president, who is himself famed for his love of the odd tot of vodka, may be considered his country's guiding spirit.

VTsIOM, one of Russia's biggest and most respected polling organisations, divided its sample into four groups: those who drank next to nothing or were teetotal – 22 per cent of the total; those who drank infrequently except on special occasions – 24 per cent; those who drank regularly a few times a month – 45 per cent; and those who drank strong spirits more than twice a week – 9 per cent.

When questioned about their attitudes towards market reforms, a clear majority of abstemious Russians favoured turning back the clock to communism while the opposite view prevailed among the country's heavy drinkers.

Drinkers also said they found it easier to endure the tumultuous changes of the past few years than those who had stayed away from the bottle.

"To a large degree, the positive role alcohol plays in the continuation of reform is explained by the anaesthetising, distracting effect of alcohol in the strained conditions of 'shock therapy'," Mr Alexander Golov of VTsIOM, explained in yesterday's edition of the Novaya Gazeta newspaper.

The survey's conclusions suggest Mr Yeltsin's government should think carefully before implementing its plans to reimpose stricter state control over the alcohol industry, a move aimed in part to check a frightening rise in alcohol-related deaths.

A study by Business Analytica, a Moscow-based market research company, estimated that alcohol consumption in Russia had risen at an average annual rate of 3 per cent over the past four years.

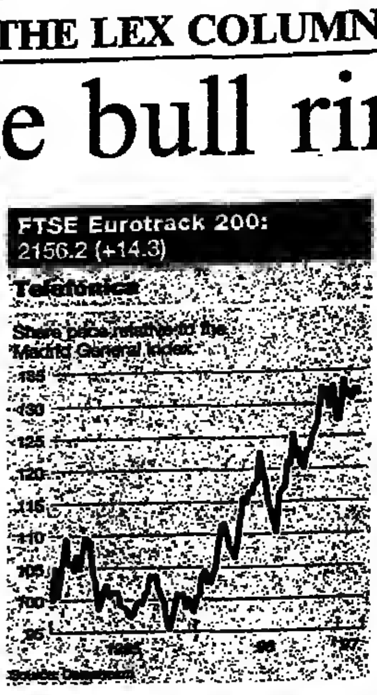
THE LEX COLUMN

The bull rings

Telefónica's privatisation is to Spain what Deutsche Telekom's was to Germany. Not only is the Pta600bn ($4.3bn) sale the largest the country has seen; it has drummed up enthusiasm for equities among ordinary Spaniards. Add in the fact that Telefónica, which is run by a former investment banker, is bringing modern corporate governance practices to the country, and the sale is a coming of age for Spanish capitalism.

But are the shares, which have outperformed a roaring bull market by 30 per cent over the past year, worth buying? On most measures, Telefónica commands a premium of nearly 10 per cent to other European telecoms groups. Look just at its core Spanish fixed-line business, and this would be unjustified. Though earnings will grow in coming years, that is largely due to lower exceptional charges and interest payments; at an operating level, profits could fall as its particularly fat margins are squeezed by competition.

But Telefónica has two other businesses, both growing fast: a mobile division; and an international business in Latin America. Take these into account and Telefónica's shares look a touch cheap. But that is probably as it should be – given there is a risk that Spain will not be a part of European economic and monetary union in 1999. If Emu takes place on time, and Spain is in the first wave of membership, a further appreciation in Telefónica's shares would be justified. But if there is any snarl-up, its shares – along with the rest of the Spanish market – would suffer.



Avis Europe

They try harder at Avis, as the slogan goes, which may explain why Avis Europe, not content with one stock market appearance, is planning a second go. The question for investors is: Will it be as successful as the first time, when the car rental group floated for £278m ($453m) in 1986 and was bought out for £900m three years later? Or will it be more like its main UK competitor, Eurodollar, which joined the market in 1994 and, three profit warnings later, is trading 30 per cent below its issue price.

Avis Europe, expected to be worth £700m this time, looks a much better business than Eurodollar. Where its rival is focused entirely on the UK and largely on corporate business, Avis Europe is market leader across Europe and has a strong leisure and airport presence. Turnover has been rising at 10 per cent a year and the group has a 40-year licence from Avis of the US to exploit the brand name in Asia. Profitability has improved rapidly since 1994's losses and pre-tax margins should hit 10 per cent this year. Another positive is that many carmakers, which used their captive car rental companies to offload surplus stock, have sold out to more profit-conscious owners. This suggests tha 1995 price war that hit Eurodollar is unlikely to recur.

The issue has yet to be priced, but on a ratio of roughly twice enterprise value to sales, against 1.7 times for Eurodollar, Avis Europe should not have to try too hard to get this flotation away.

Auctions

Which is the best way to sell a business: private auction or public bid battle? The question is far from academic to Scottish Amicable policyholders, who started out watching a case of the latter but are now having to put their faith in the former. Why might that matter? Because a behind-the-scenes auction can sometimes lack the pricing tension of a public process. And the thrill of the chase goes to bidders' heads more often in public.

Still, that may not be a decisive advantage. A private competition may be less aggressive but still secure a better price, simply because the cost and hassle of participating is far less and many more bidders therefore usually take part. In a case like Scottish Amicable, where a public bid battle would mean persuading more than a million policyholders to master the niceties of life company valuation, this point is compelling.

Yet there is a downside: less transparency. Without details of the alternative offars, policyholders simply have to take it on trust that their board will opt for the very best bid – not, for instance, one that also happens to suit management or Scottish sensitivities. On the other hand, there is always the possibility a non-favoured bidder could challenge ScotAm publicly if it feared a stitch-up. To pre-empt this risk, tha board needs to be very certain its choice is convincingly justified.

Co-op

The Co-operative movement is most unlikely to succumb to the predations of Mr Andrew Regan's Lanica Trust. The combination of a convoluted voting structure and political conviction make it well nigh inconceivable that a socially based movement will bend its knee to a hostila predator. But the commercial questions his bid raises cannot be so easily disposed of. Indeed, if they are not properly addressed, a worse fate than Mr Regan could lie in store.

The group is making a return on capital of around 7 per cent. In part there are solid explanations for this: the highly decentralised structure, and a pledge to supply some services at cost. But even by the distinctive standards of the Co-op movement, this level of profitability is unacceptable. The movement may have shrunk in the past five years from around 200 member societies to 60 now, but this still imposes a hugely costly burden of head office and management duplication. Salea per square foot in some stores, especially in the south, are also dismal.

A new management team is taking steps to address these problems and boost returns above 10 per cent. But operational initiatives are not enough. Non-core businesses where market share is seeping away relentlessly would be better sold. Some, like funerals, farming and food, will be deemed sacred. Others, however, are dispensable. If Mr Regan forces management and members to address these questions, he will have performed a service.

Additional Lex comment on Dalgety, Page 26

Two MPs questioned over South Korea loans scandal

By John Burton in Seoul

The probe into South Korea's Hanbo Steel loan scandal came a step closer to implicating close associates of President Kim Young-sam yesterday when prosecutors questioned two ruling party politicians.

The members of parliament were questioned on whether they received bribes from Hanbo in return for pressing banks and other financial institutions to give nearly $6bn in loans to the financially shaky steel and construction group, which went bankrupt last month.

Those under investigation include Mr Hong In-kil, whose long friendship with Mr Kim earned him the nickname "the president's butler", and Mr Chung Jae-chull, a senior party official and former president of Korea First Bank, Hanbo's biggest creditor.

An opposition MP who admitted accepting political donations from Hanbo is also expected to be questioned.

The Hanbo founder and the presidents of Korea First Bank and Cho Hung have already been arrested in connection with the scandal.

The Korean media have alleged that several other important government MPs and officials closely linked to Mr Kim had accepted at least $60,000 each from Mr Chung Tae-soo, the Hanbo founder. They include two potential candidates for the ruling party nomination in the December presidential election, which will choose a successor to Mr Kim.

Mr Kim came to office in 1993 promising to fight corruption. The Hanbo scandal has helped reduce the president's approval rating to 13 per cent.

There are suggestions that Mr Kim will conduct a sweeping reshuffle of the cabinet and top ruling party posts later this month in an attempt to reduce the damage to his administration.

Political analysts believe the Hanbo scandal could cost Mr Kim control over the bitterly divided New Korea party and allow one of his political rivals to win the governing party's presidential nomination.

Sotheby's

Continued from Page 1

Ms Diana Brooks, said: "You are fully aware of our expectations of you and it is our experience that you live up to them with integrity and judgment. The exception does not prove the rule."

Sotheby's had turnover of $147.3m in Europe during the last year for which figures are available.

Christie's, the other big name in the UK auctions market, which turned over £91.1m in the UK alone during 1995, declined to comment in detail on Sotheby's measures.

Stet nears Serbian deal

Continued from Page 1

to confirm a figure of L1,000bn ($615.76m) for the 49 per cent stake. The deal, however, is believed to be close to completion and is part of Stet's efforts to step up its international expansion.

Mr Ivan Bagaric, an adviser to the Serbian conglomerate BK Group, which has a monopoly over the country's mobile phone sector, said yesterday he believed Stet would pay about DM1.5bn ($897m) for the stake. He said Stet would pay half in cash and the rest in equipment.

"This is not a good deal for our PTT. The Italians are offering a fast deal but not a real price," Mr Bagaric said. Opposition leaders, addressing mass rallies, have denounced the planned deal, which has been widely reported in Serbia's independent newspapers.

The government recently sacked Mr Milorad Jaksic, general manager of the PTT. It gave no explanation, but political sources said he had opposed the sale to Stet at such a low price. They say he wanted more time to modernise the PTT by buying equipment from Alcatel of France and Germany's Siemens before a privatisation.

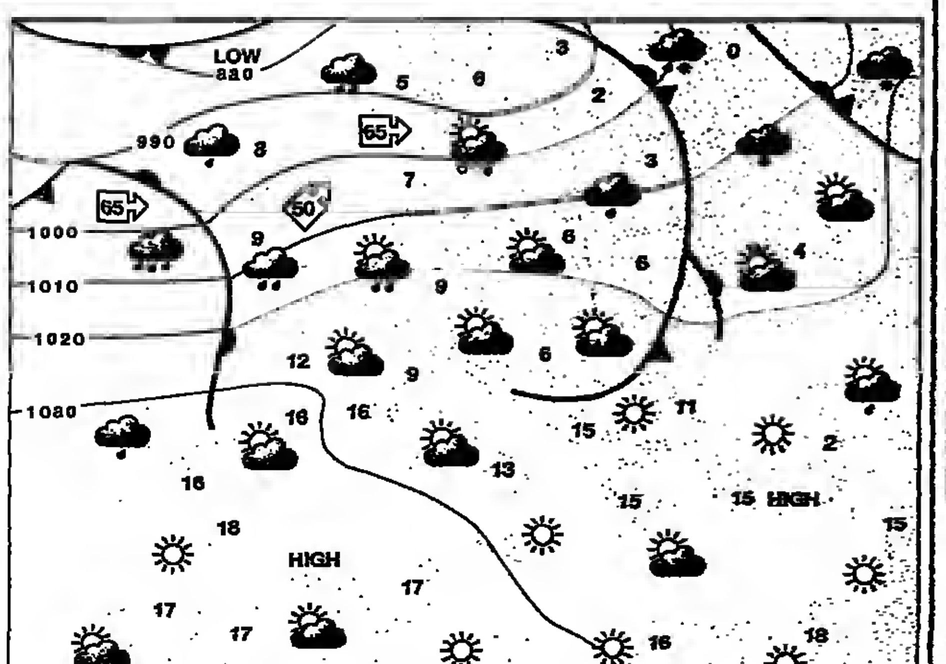
FT WEATHER GUIDE

Europe today

A number of lows from west of Ireland to Scandinavia will cause rain and blustery conditions over most of western Europe.
North-western areas will have strong westerly winds, cloud and rain. The heaviest will be over the UK and Scandinavia.
Eastern Europe and the Scandinavian interior will have snow.
The Benelux and Germany will have thick cloud and showers. Some of the showers will be accompanied by hail.
The Mediterranean will be dominated by high pressure, promoting abundant sunshine throughout the region.

Five-day forecast

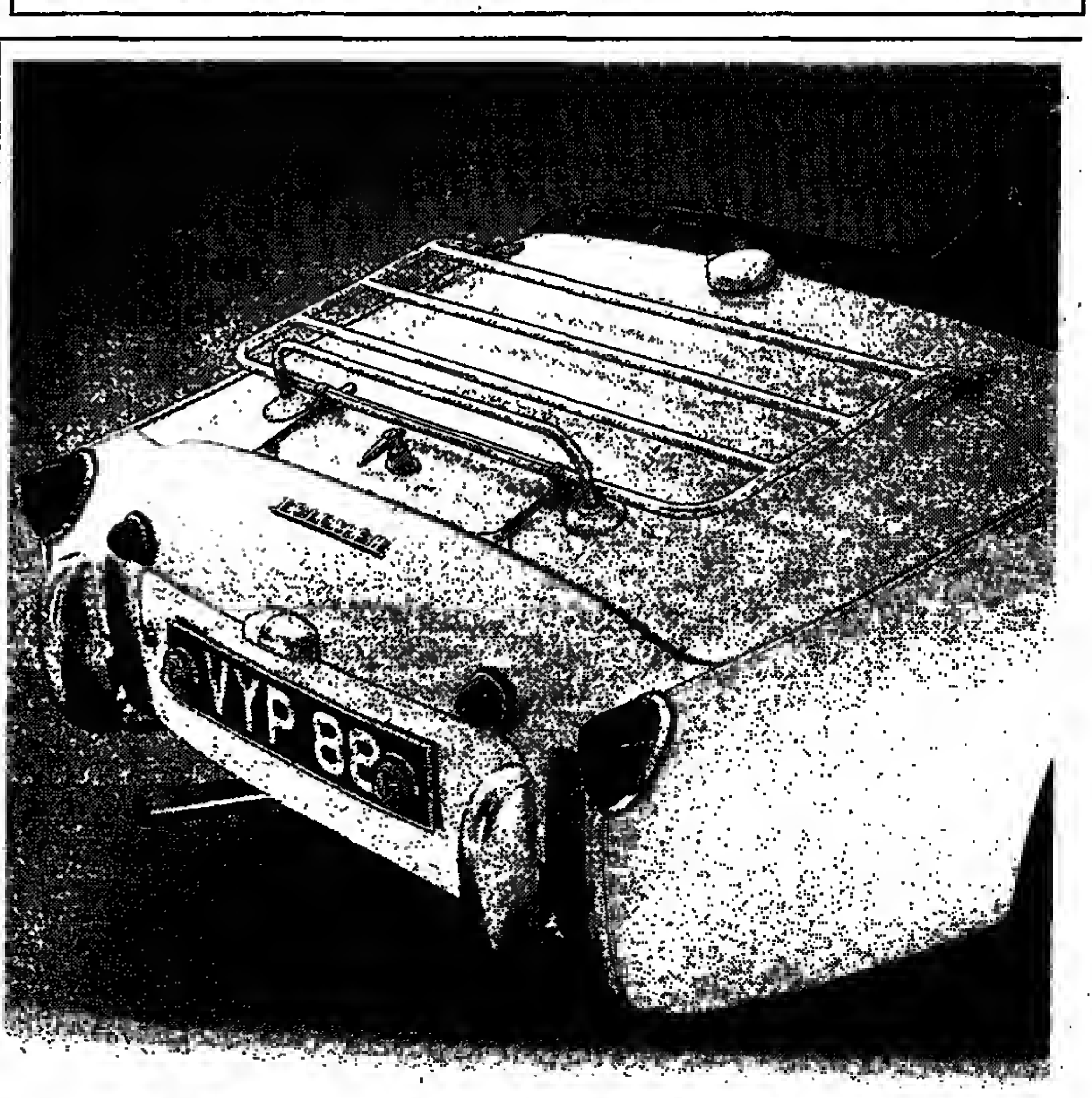
A series of lows will continue to dominate western Europe, causing strong westerly winda, clouds and rain.
High pressure will persist over southern Europe, which will continue sunny and tranquil.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius										
		Beijing	sun 5	Caracas	sun 31	Faro	sun 17	Madrid	sun 15	Rangoon	sun 32
		Belfast	rain 9	Cardiff	rain 9	Frankfurt	fair 10	Majorca	sun 16	Reykjavik	shower 1
Abu Dhabi	fair 20	Belgrade	fair 11	Casablanca	sun 17	Geneva	fair 12	Malta	fair 16	Rio	fair 31
Accra	sun 33	Berlin	cloudy 9	Chicago	cloudy -2	Gibraltar	sun 16	Manchester	rain 9	Rome	fair 15
Algiers	sun 18	Bermuda	rain 24	Cologne	cloudy 10	Glasgow	rain 9	Manila	shower 30	S. Frsco	fair 14
Amsterdam	shower 10	Bogota	thund 19	Dakar	sun 27	Hamburg	shower 8	Melbourne	fair 21	Seoul	fair 2
Athens	sun 15	Bombay	sun 29	Dallas	cloudy 12	Helsinki	sleet 3	Mexico City	fair 24	Singapore	fair 32
Atlanta	sun 7	Brussels	shower 10	Delhi	sun 22	Hong Kong	fair 16	Miami	sun 22	Stockholm	hail 5
B. Aires	sun 23	Budapest	sun 5	Dubai	fair 21	Honolulu	fair 26	Milan	fair 11	Strasbourg	fair 12
B.ham	cloudy 9	C.hagen	shower 5	Dublin	rain 10	Istanbul	sun 10	Montreal	snow -6	Sydney	shower 24
Bangkok	sun 36	Cairo	fair 17	Dubrovnik	sun 15	Jakarta	fair 31	Moscow	snow -1	Tangier	sun 17
Barcelona	sun 14	Cape Town	shower 21	Edinburgh	rain 8	Jersey	rain 10	Munich	cloudy 10	Tel Aviv	sun 15
						Karachi	sun 26	Nairobi	fair 29	Tokyo	rain 9
						Kuwait	sun 13	Naples	fair 13	Toronto	snow -3
						L. Angeles	sun 18	Nassau	fair 24	Vancouver	rain 7
						Las Palmas	sun 21	New York	cloudy 2	Venice	fair 9
						Lima	fair 27	Nice	sun 15	Vienna	fair 10
						Lisbon	shower 18	Nicosia	sun 14	Warsaw	shower 6
						London	cloudy 9	Oslo	rain 5	Washington	sun 4
						Lux.bourg	shower 7	Paris	cloudy 10	Wellington	fair 22
						Lyon	fair 11	Perth	sun 35	Winnipeg	snow-12
						Madeira	sun 18	Prague	fair 7	Zurich	fair 10



FINANCIAL TIMES
COMPANIES & MARKETS
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Tuesday February 11 1997
Week 7

IN BRIEF

Avis Europe aims at London listing

Avis Europe, tha largest European car hire company, announced plans for a London stock market listing. its second in just over e decade. in a move expected to value it at $1.1bn-$1.4bn. The company hopes to raise $407.5m of new funds. Page 25

Price of crude oil falls again
Crude oil prices eased further after last week's sell-off. The price of Brent Blend for March delivery, the global benchmark, was down about 25 cents in late London trading to $20.70 a barrel. Page 28

Honda expects record domestic sales
Honda, the Japanese carmaker, expects to reach record sales in its home market of 800,000 units in the year to March, hut increasing competition will make this difficult to sustain, according to Mr Nobuhiko Kawamoto, president. Page 23

Centrica surges ahead on 'grey market'
Centrica, which includes the UK domestic gas supply husiness of British Gas, saw shares surge ahead on the first day of trading in the "grey market". Page 25

Foster's stronger despite charges
Profits at Foster's Brewing, the Australian drinks group, edged 2 per cent higher to A$169.4m (US$129m) after tax in the six months to end-December, as increased interest charges offset stronger trading. Page 23

Metsä-Serla predicts forestry growth
Metsä-Serla, the Finnish pulp and paper group, said it expected the steep downturn in the European forestry industry to be reversed later this year, but too late to lift 1997 earnings. Page 21

Havas talks telephone numbers
Havas, the French communications group, opened discussions with France Télécom over the future of their co-operation for the production of the country's Yellow Pages commercial telephone directories. Page 20

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BMW	1094	+	20.5
Holzmann	452	+	10
Mannesmann	692	+	18
Preussag	418.5	+	10.5
Veg	715	+	17.7
Volkswagen	798	+	19
NEW YORK ($)			
Rises			
Breed Tech	23¼	+	1½
Invesco Fd	50	+	6¼
Falls			
Centenial Tec	16¾	–	2¼
Newfield Expl	19¾	–	3¼
Sola Intl	27¼	–	4¼
Southern Pac	19¼	–	2¼
LONDON (Pence)			
Rises			
Dnstc & Gnl	2195	+	90
Lanica Tst †	1950	+	313
Peptide Therap	369	+	40
Shield Dgnstc	285	+	23
Falls			
Cantab Pharm	835	–	42½
Triad Group	228½	–	45
TORONTO (C$)			
Rises			
Crown Res	9.0	+	1.1
Gen Minerals	7.2	+	0.95
Pacalta Res	13.1	+	1.65
Falls			
Artisan Corp	9.0	–	0.6
Colony Pac	7.2	–	0.6
Prcsn Drll	58.25	–	4.7
PARIS (FFr)			
Rises			
Alcatel	576	+	17
Club Med	381	+	19
CCF	275	+	19.2
Interbail	256	+	16
Falls			
Elf Aquitaine	654	–	26
Sidel	393.1	–	10.8
TOKYO (Yen)			
Rises			
Dai Nip Phrm	844	+	23
Fuji Spinning	421	+	28
Noritake	807	+	39
Okuma Corp	992	+	38
Falls			
Nishimatsu	880	–	31
Tanabe Seiyaku	810	–	35
HONG KONG (HK$)			
Rises			
HSBC Hldgs	189.5	+	5.5
Falls			
Cheung Kong	74.25	–	1.5
Henderson Lnd	71.5	–	2.0
Hutchson Whmp	58.75	–	1.0
SHK Ppt	91.0	–	2.0
Swire Pcfc A	70.0	–	1.5
BANGKOK (Baht)			
Rises			
Advnce Agro	61.0	+	5.5
Asian Sea Fd	41.5	+	3.75
Essex Intl	35.25	+	3.0
Falls			
Ayudhya Life	78.0	–	6.0
Dhipaya Ins	54.0	–	6.0
Multi Credit	32.75	–	3.5

† Price at suspension. New York and Toronto prices at 12.30pm.

Hopes that industry reforms will stabilise production at 500 tonnes a year

S Africa gold output declines to 40-year low

By Mark Ashurst in Cape Town

Gold production in South Africa last year fell to its lowest level since 1956, in spite of a robust improvement in the second half.

South African gold mines produced 494 tonnes of gold in 1996, a 5.3 per cent decline from 1995. The Johannesburg-based Chamber of Mines estimates that the decline last yaar cost the country some R1.5bn ($330m) in foreign exchange earnings.

However, output for December 1996 was 5.8 per cent higher than the previous year, and most analysts expect production to stabilise in 1997.

Mr Roger Baxter, senior economist at the chamber, said reforms introduced since 1995 would help sustain output at about 500 tonnes per year in tha medium term, following a period of volatility in the first half of this decade. That volume would be worth $5.5bn at today's gold prices.

South Africa's gold output has declined steadily since 1970, when it produced about 1,000 tonnes a year. In those days the country accounted for about 70 per cent of world production, but it has now declined to about 30 per cent.

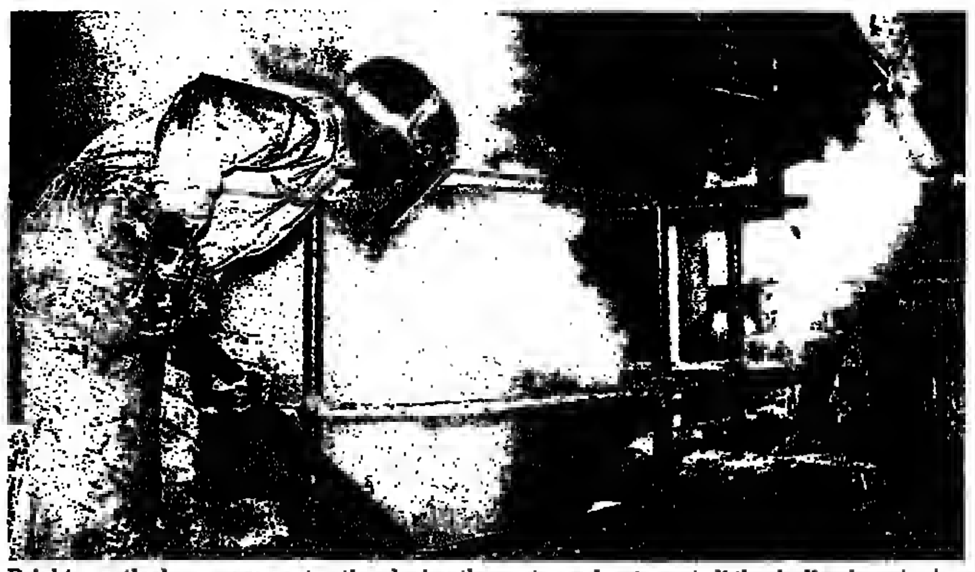
By 1977, the country produced about 700 toones, whicb fell gradually to an average level of 650 tonnes throughout the 1980s. It finally dropped below 600 tonnes in 1994, prompting a spate of initiatives to improve productivity, ranging from 24-hour operations at marginal mines to education and training agreements with workers.

The chamber's prediction for the medium term tallied with a forecast by Mr Dennis Tucker, head of mining research at Fleming Martin in Johannesburg. Mr Tucker last week told a conference on African mining in Cape Town that "corrective actions taken hy management over the past year have arrested the decline in gold production".

But be warned that the industry had so far been unable "to align its cost hase with lower lavels of production". The principal cause of the decline in output had been the weaker grades achieved at ailing gold mines, many of which are 20 to 30 years old.

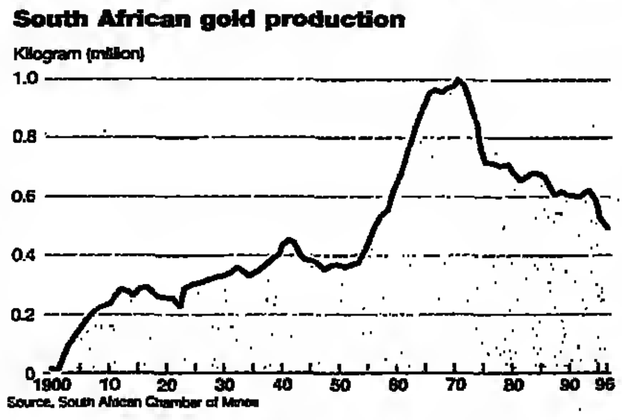
The industry's average grade was 4.9g/tonne last year, compared with 13g/tonne in 1970. The decline is partly the result of underdevelopment of new mines. In the 1980s a volatile bullion price, rising costs, political risk, high inflation and a harsh tax regime resulted in a 40 per cent drop in capital expenditure per tonne of gold produced.

A recent spate of productivity agreements was partly the result of lower capital expenditure, which Mr Baxter said had prompted "a trend of higher investment in human capital". The largest gold producers had abandoned "hierarchical, military structures" at management level, and encouraged "a devolution of decision-making to the teams at the rock face".



Brighter ontlook: management action during the past year has 'arrested' the decline in output

South African gold production



Source. South African Chamber of Mines

Usinor to consider Spanish steel group alliance

By David Owen in Paris and David White in Madrid

Usinor Sacilor, Europe's biggest steelmaker, is seaking to strengthen its presence in southern Europe by investing in CSI Corporación Siderúrgica, the Spanish steel group.

France-based Usinor yesterday said it was interested in estahlishing "a strategic alliance" with CSI and that it intended to study the "complementary aspects of both companies".

The company interpreted this to mean Usinor wanted to participate in the Spanish group's possible privatisation but emphasised matters were at an early stage. Yesterday's statement was simply a case of the company "taking a position".

The Spanish industry ministry bas been looking into possible privatisation deals for CSI, which it sees as a special case among the industrial lame-duck concerns grouped together under the State industrial Agency (AIE).

It is looking for a partner to back investment plans to raise competitiveness, reduce costs and improve quality.

CSI, a holding company for the rump of Spain's restructured steel industry, was launched two years ago, bringing together assets from what used to be the country's two main groups, Ensidesa and Altos Hornos de Vizcaya.

Its net profits fell last year to Pta15.6hn ($112m) from Pta22.5bn in 1995, on sales of Pta306bn. But the company described its performance as "positiva" in the light of lower European steel prices. More than two thirds of production was for the Spanish domestic market, with 18 per cent going to other EU markets. The group employs about 12,000.

Usinor is already a minority shareholder in two subsidiary units – Sidmed and Galmed – belonging to CSI's main flat-products division.

Separately, Usinor yesterday said it intended to sell a 21 per cent stake in Vallourec, another French steels group, to Mannesmannrohren Werka of Germany in a deal believed to be valued at some FFr500m ($90m).

Following the transaction, Usinor will retain just over 5 per cent of Vallourec'a capital.

NKF sees shares dive after warning

By Gordon Cramb in Amsterdam

Shares in NKF Holding, the Dutch cable manufacturer, fell by nearly a quarter yesterday as the company warned that prices in its important German market had suddenly dropped "far helow realistic cost levels".

Announcing an 8.7 per cent rise in net profits to Fl 44.1m ($23.8m) for last year, it added: "Although it is impossible to predict how long this situation will last, the influence on profitability will probably be considerable. We are therefore giving our shareholders the opportunity to know now that there is a real chance the net profit of NKF Holding for 1997 could remain substantially under the level of 1996."

Analysts had been warning of the price pressures in Germany, which accounts for nearly a third of NKF's sales. The country has both overcapacity in electric power cahles and a competitive market for supplying the telecommunications network.

But the rate at which the problem had worsened took investors by surprise and shares closed Fl 17.50, or 23.8 per cent, lower in Amsterdam at Fl 56. From trading close to their 52-week high, they were left harely above the Fl 53.50 low recorded during that period.

The Delft-based company is a former Philips snhsidiary which came under the majority control of Finland's Nokia. NKF took over Nokia's cable activities in 1995 when Nokia sold its remaining holding.

The acquisition was seen as strengthening NKF by giving it a broader product range and geographical scope. The company is ranked fifth hy turnover in the European market for both energy and telecoms cables.

Revenues last year rose 10.3 per cent to Fl 1.34bn, with telecom cables accounting for just over half the total. Apart from efficiency measures put in place to counter the product price declines, the company has been investing in expansion of its production capacity for cellular network cables and fibre optics.

"Our competitive position on costs is already excellent," NKF said. Nonetheless, it had identified additional measures to strengthen the performance of its German businesses. This would involve 160 job cuts et its telecoms operetions in Cologna and Nurenberg and its energy cable plant in Berlin, averaging between 15 and 20 per cent of the workforces there. Production volumes for certain products are to be cut.

BA profits exceed expectations

£10 flights on Concorde offered to mark a decade in private hands

By Michael Skapinker in London

British Airways announced third-quarter pre-tax profits up 8.7 per cent to £113m ($184m), well above expectations, yesterday, and launched a marketing campaign to coincide with the 10th anniversary of its privatisation.

Operating profit in the quarter to December 31 fell 13.8 per cent to £131m, largely because of fuel price increases which lifted costs by £56m.

The rise in pre-tax profits resulted largely from a reduction in interest costs and a £14m payment for preferred stock dividend arrears from USAir in which BA holds a 24.6 per cent stake. BA is now selling the atake. Investors were, however, sufficiently impressed to mark BA's shares up 11p to 597½p.

The airline is to celebrate its privatisation anniversary by offering 200 return tickets on its Concorde flights from London to New York for £10 each – £5,400 less than the full fare. BA said the seats would otherwise have been empty and the £10 travellers would not displaca full-fare paying customers.

BA said it had earned pre-tax profits totalling £3.25hn over the past decada, during which it had changed from an inefficient nationalised concern to become one of the world's most highly regarded and profitable carriers.

Analyats said the contrast between BA'e recent performance and that of European competitors such as KLM of the Netherlands and Lufthansa of Germany was one of the reasons its shares rose yesterday.

KLM this month announced a third-quarter net loss of Fl 7m ($3.7m) hecause of increasing staff and fuel costs. Lufthansa has announced a job-cutting programme after saying it expected a fall in 1996 profits.

Mr Nick Cunningham, aviation analyst at BZW, said BA's results indicated that its cost-cutting programme, launched last year, was beginning to work.

Although employee costs rose 5.6 per cent in the third quarter, productivity had improved. Mr Cunningham increased his forecast of full-year pre-tax profits for 1996-97 from £605m to £625m, compared with £585m in 1995-96.

However, Mr Chris Avery of Paribas Capital Markets left his full-year forecast unchanged at £610m because he expects provisions to cover redundancy costs. BA is offering 6,000 employees voluntary redundancy and replacing them with a similar number of more highly skilled staff.

Turnover in the quarter was up 6.4 per cent to just over £2hn. Earnings per share, fully diluted, were 8.8p, compared with 8.4p last time. Net interest payahle fell 28 per cent to £36m.

Operating profit in the first nine months was £643m, a fall of 4.7 per cent. Pre-tax profits for the first three quarters were up 9.2 per cent to £583m.

BA said it had received a further £12m in arrears from USAir last month. There is £6.6m outstanding.

ADT slaps suit on own bank over role in bid battle

Security group furious at Chase Manhattan's support for loan to take it over

By Richard Waters in New York

ADT, the bome aecurity company on the receiving end of a $3.5bn hostile takeover hid, yesterday lashed out at Chase Manhattan in a lawsuit that raised questions about the US bank'a aggressive mova into the mergers and acquisitions husiness.

In a suit filed in a state court in New York, ADT accused Chase of breaching its fiduciary duty hy backing the bid, tabled hy Western Resources, an alectric utility.

The New York hank has been ADT's own banker and financial adviser "ainca at least 1993", the lawsuit said.

The ection also marks one of the first attempts by Mr Michael Ashcroft, ADT's British-born chairman, to fight off the hostile hid, which wes launched late last year.

The lawsuit raises questions about the expansion of commercial banks into investment hanking, said Mr Mark Zauderer, chairman of the New York Bar Association's commercial litigation section.

Whether banks could back a bid against another client "is a very important issue – and a very unsettled one in New York", he said.

Chase is already widely seen as the most aggressive lender in US takeovar and huy-out transactions.

In an attempt to take on Wall Street at its own game, it has also moved to hoost its mergers and acquisitions department, hiring Mr Mark Davis, a former management director from Salomon Brothers, to lead the drive. Chase first led a $500m syndicated loan for ADT in 1993.

According to the home security company's suit, the aim was to have the bank advise it on "a wide range of strategic issues".

Late last year, though, Chase emerged as the bank that would lead a $900m loan to huy ADT if Western's hid was successful.

"Can a bank that has a relationship with a company turn around and finance a competing tender offer?" said Mr Zauderer.

The question, always a difficult one for banks, has been made more acute by the move into advisory work, he added. Mr Zauderer said that though he had represented ADT in the past, he had not been involved in the defence against Western Resources.

To win its case, ADT will have to prove it had more than a simple lender-borrower relationship with Chase, and that the bank's role as an adviser placed it under a fiduciary duty to keep information about the company secret.

Western Resources owns 27 per cent of ADT. It would become the biggest security monitoring company in the US and UK if the offer were to succeed.

Bazy quits merged Axa-UAP

By Andrew Jack in Paris

One of the most senior executives of UAP, the French insurance group acquired at the end of last year by its rival Axa, has resigned unexpectedly. Mr Dominique Bazy, former head of the French operations of UAP, has decided to leave in spite of his recent appointment to a senior post in the combined Axa-UAP.

The move is the latest in a series of shake-ups of staff and corporate structure in the wake of the friendly bid launched by Axa for UAP last November. The combined group has also divested some of its financial holdings.

Mr Bazy, who worked as head of investments at UAP between 1989 and 1993, had been tipped to replace Mr Jacques Friedmann, UAP chairman, after rejoining the group in 1995.

However, his prospects of taking the top job were thrown into doubt after the merger, even though he was named one of just six UAP directors on a 16-person executive committee for the combined group.

Other senior UAP directors left at the time of the merger, including Mr Didier Pfeiffer, deputy managing director, who was appointed chairman of GAN, the state-owned insurer whose previous chairman was sacked after a row with the government.

Mr Bazy was appointed in December as senior executive vice-president and principal shareholder representative for Axa-UAP, with responsibility for its insurance operations in all countries except France, the US and the UK.

He had wanted a more operational job, a wish reflected in his decision while at UAP last autumn to shift from his role as assistant managing director to head of the newly-created UAP France profit centre.

He oversaw a series of important financial restructurings at UAP, including the sale of a significant number of its property assets which prior to disposal had helped drag it into heavy losses.

After graduating from the Ecole Nationale d'Administration, the top French civil service training school, he worked for the ministry of foreign affairs and at the Athéna group in Paris before joining UAP.

He followed Mr Jean Peyrelevade, the former UAP chairman, to take up a position on the executive committee of the state-owned bank Crédit Lyonnais during 1993-95 to help with the restructuring.

Axa-UAP said a replacement for Mr Bazy would be chosen within the next two weeks. He could not be reached for comment yesterday.

Mr Bazy has been tipped to join either Allianz, the German insurer with extensive French operations, or Generali, its Italian rival.

Dominique Bazy: merger hit his prospects of taking top job

Heidelberger takes flotation path

It has been an action-packed 15 months for Mr Hartmut Mehdorn since he swapped a top job at Daimler-Benz Aerospace for running Heidelberger Druckmaschinen, the German company that is the world's biggest maker of printing presses.

The venerable machinery maker, with one of the best known brand names in German industry, is being prepared for a partial flotation, while Mr Mehdorn is also steering the company down an ambitious road aimed at broadening its product base and positioning it for growth in the new era of digital printing.

The 54-year-old mechanical engineer, who spent 29 years in the aerospace industry, and whose last job was as director in charge of the Daimler Benz aircraft group, is involved in talks about floating up to 15 per cent of Heidelberger's equity this autumn.

At present the biggest shareholder is RWE, the German electricity utility, with 35 per cent. Others include the Allianz insurance group and Commerzbank. Mr Mehdorn reckons that if some of Heidelberger's shares were traded publicly, the company would be in a better position to raise finance for expansion.

Initial estimates are that a 15 per cent stake in Heidelberger might be worth DM500m-DM700m. In the year ended March 1996 the group made pre-tax profits of DM268m ($160m) from sales of DM4.3bn, up from the DM215m from sales of DM3.7bn in 1994-95.

The prospect of this chunk of equity going on to the market has sparked interest among German industrial observers. "Heidelberger is a real success story. It has an international spread and products whose quality is beyond doubt," says Mr Hermann Simon, a German management consultant with Bonn-based Simon Kucher & Partner and author of *Hidden Champions*, a study of world leaders in German industry.

The company started 150 years ago in the university town of Heidelberg, where it still has its headquarters. Heidelberger's main products are offset printing machines for use in general trade printing and magazine publishing.

Its main competitors are Germany's KBA and Roland (part of the MAN engineering group), and Mitsubishi and Komori of Japan.

Hartmut Mehdorn: moving group closer to customers

Heidelberger has installed its products in 162 countries, and claims that three-quarters of the world's 250,000 printing companies have at least one of its machines, which are made in eight factories around the world and can cost up to DM3m.

Of Heidelberger's sales in 1995-96, 81 per cent were exports, an unusually high proportion for a German company, and the main internal working language for its 17,000 employees (half of whom are outside Germany) is English.

Outside the discussion about a market flotation, some of Mr Mehdorn's plans are coming together with the DM180m acquisition of Linotype-Hell, a leading German maker of pre-press equipment in which software skills are important in putting text and graphics in the correct form for printing.

Mr Mehdorn plans to integrate Linotype's digital expertise with Heidelberger's product base, and wants to use Heidelberger's global marketing outlets to sell Linotype products.

However, the integration has meant some tough measures at Linotype, which in recent years has struggled financially. Mr Mehdorn is reducing the workforce of the Kiel-based company by about one-third to about 2,000 in a drive to cut costs.

The Linotype acquisition, which brings Heidelberger's total annual sales to more than DM5bn, came shortly after Mr Mehdorn added to Heidelberger two other printing industry businesses as part of the effort to broaden the product range.

Last April, Heidelberger bought Cootiweb, a Dutch maker of specialised drying and related systems for use in parts of the printing process, while in July it added Sheridan, a US supplier of "finishing" systems – hardware for jobs such as folding printed pages or adding inserts.

These two acquisitions, costing some DM100m, plus the Linotype purchase give Heidelberger for the first time the ability to provide "turnkey" systems for print users, Mr Mehdorn says.

"The customer can now come to us for all the equipment he needs for a full printing process rather than buying from several different companies."

Mr Mehdorn hopes this strategy will also allow Heidelberger to expand in supplying presses for newspaper printing, a field in which it is fairly weak compared with competitors such as Roland.

The three acquisitions have been accompanied by a big reorganisation of Heidelberger's management structure to emphasise product groups and move the company closer to customers.

Peter Marsh

Telefónica share allocation is changed

By David White in Madrid

The share of Spain's Pta600bn ($4.3bn) Telefónica privatisation reserved for small investors was raised yesterday from 50 to 60 per cent of the initial share offering, and is expected to be increased further as a result of heavy demand.

The state holding company Seppa, which is selling the shares, last night fixed a maximum price of Pta3,385 for the offering ahead of the final subscription period, which opens this morning and runs until Friday.

The price is just below the Pta3,389 ceiling based on the average trading price on Friday, which was the strongest day of the past week. Yesterday, shares in the Spanish telecoms group dropped Pta15 to Pta3,380 after dominating trading on the Madrid market.

Telefónica said retail investors had applied by Friday night for almost 700m shares, nine times the amount originally allotted to them.

The total Spanish share of the operation, in which the state is selling its remaining 21 per cent in the company, may be increased to about 75 per cent, including an 8 per cent slice reserved for Spanish institutions.

Retail investors who have applied during the three-week pre-registration have until 2pm on Thursday to revoke their orders. The final price and allotments are due to be decided on Monday, with trading in the shares starting on Tuesday.

Small investors, entitled to a 4 per cent discount and a one-for-20 loyalty bonus after one year, were originally due to be offered 78.7m shares.

However, Mr Juan Villalonga, Telefónica chairman, is anxious to ensure that as many small investors as possible are accommodated in order to widen the shareholder base and cement customer loyalties.

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EUROPEAN NEWS DIGEST

Havas and France Telecom in talks

Havas, the French communications group, yesterday opened discussions with France Telecom over the future of their co-operation in the production of the country's Yellow Pages commercial telephone directories. A senior executive of France Telecom, quoted in La Tribune newspaper, said his company had made an offer to buy out Oda, the wholly-owned Havas subsidiary which produces the directories, but was told it was "premature".

Separately, in an interview, Mr Pierre Dauzier, chairman of Havas, confirmed that "we have to hold discussions in the coming weeks about Oda" with France Telecom, and "to consider what to do in the light of changes such as the end of its monopoly" over telecoms services in France.

The restructuring has been triggered in part by a complex transaction announced last week by which Générale des Eaux, the utilities group, will increase its shareholding in Havas from 2.5 per cent to 30 per cent, making it the dominant shareholder.

France Telecom, which owns 4.4 per cent of Havas, is believed to have learnt of the deal from reports in the national media just days ahead of its formal announcement at a board meeting last Thursday, and voted against the proposals. However, Mr Michel Bon, France Telecom chairman, said last week he was happy to work with a partner willing to invest in the activity.

Oda has an exclusive contract until 2008 with France Telecom for sales of the advertising contained in the Yellow Pages. It reported pre-tax profits in 1995 of FFr230m ($40.8m) on sales of FFr4.1bn.

Andrew Jack, Paris

Argentaria moves to delist unit

Argentaria, the Spanish banking group, is to make an offer for the shares it does not already own in Banco Exterior de España, with the aim of delisting the unit. Argentaria said the move would complete the unit's integration into the group. It said the offer price would be based on the average price of the stock over the past six months, which has moved in a range of Pta2,800 to Pta2,850. Shares in Banco Exterior, which were suspended yesterday, closed on Friday at Pta2,720. Argentaria, which already owns 99.26 per cent of Banco Exterior's share capital, said the offer affected the remaining 0.74 per cent, or about 780,000 shares. The offer is subject to approval by Banco Exterior shareholders. *AFX News, Madrid*

Kvaerner closes Gibraltar yard

Kvaerner, the Anglo-Norwegian shipbuilding and engineering group, yesterday announced the closure of its yard in Gibraltar – ending almost 100 years of ship repair operations at the crown colony. The former Royal Navy dockyard, acquired by Kvaerner in 1992, has been closed following a protracted union dispute over working practises.

Kvaerner said the yard, which has incurred losses of £3.5m ($5.7m) over the past four years, could not be run efficiently unless the 140-strong workforce agreed to more flexible working. The company blamed the breakdown on "intransigence" by the TGWU-affiliated union at the yard. The closure comes in spite of the intervention of the government of Gibraltar, which had hoped to keep the yard open. In the past, the yard serviced and maintained Royal Navy vessels and played a prominent role in the UK's naval campaign during the second world war.

Tim Burt

Metsä-Serla upbeat despite fall in profits

By Greg McIvor in Stockholm

Metsä-Serla, the Finnish pulp and paper group, said it expected the steep downturn in the European forestry industry to be reversed later this year, but stressed that the improvement would come too late to lift 1997 earnings.

Announcing a sharp drop in annual profits, the company said the depressed prices for wood pulp and paper which dented earnings last year would persist through most of 1997 before turning upwards.

Metsä said demand was growing and prices would stabilise this year, but "for most of 1997 we shall have to live with the lower prices inherited from the previous year".

Metsä's annual pre-tax profits slid from FM1.9bn to FM315m ($63.6m), mirroring recent big falls in full-year profits announced by other large Nordic producers. At the operating level, the deterioration was visible in a decline in the margin from 17.9 per cent to 6.1 per cent.

The figures were nevertheless ahead of analysts' expectations and helped lift forestry stocks on the Helsinki bourse. Metsä's most-traded B-shares ended the day at FM36.50, up FM0.50.

Earnings were helped by a net FM386m gain relating mainly to the disposal of Metsä's chemicals business and from the sale of shares in UPM-Kymmene, its Finnish rival.

Metsä ascribed the weakened profitability to lower prices for wood pulp and paper, as well as a fall in demand for printing paper grades. Profits were also affected by the start-up of new plant investment.

It signalled it would take measures this year to bolster competitiveness, particularly in its packaging business.

Hardest hit was the paper division, which recorded operating losses in all but the first four months of the year. Operating profits in the unit fell from FM194m to FM10m in spite of a rise in turnover from FM2.97bn to FM4.3bn.

Operating profits from packaging – Metsä's largest business area – advanced from FM526m to FM561m on sales of FM4.8bn, against FM4.1bn. However, the group warned it had seen signs that prices of some packaging grades would fall this year.

The impact of lower pulp prices was seen in the pulp and resources division, where operating profits dipped from FM1.47bn to FM220m. Turnover slipped from FM4.8bn to FM3.9bn.

Ericsson sees future in Asia

By Greg McIvor

Ericsson, the Swedish telecommunications group, yesterday forecast that Asia-Pacific would this year overtake North America as the world's biggest market for mobile handsets.

It predicted the global celluler market would expand by almost 50 per cent this year. Asia-Pacific would have 68m subscribers by the year-end, an increase of 26m. This compared with 61m in the US and Canada, up from 47m.

Mr Ake Persson, marketing director of Ericsson Mobile Systems, said the pace of growth in east Asian markets had far exceeded projections made two years ago. He said Asia-Pacific and Latin America offered the greatest growth potential for manufacturers. Other markets, while still offering growth, were more mature.

Ericsson said the number of cellular subscribers worldwide would advance from 137m at the end of last year to 205m by the end of 1997, rising to 590m in 2001.

However, the rate of annual increase in subscribers would fall from 57 per cent in 1996 to 23 per cent in 2001. Digital subscribers were expected to grow from 50m to 500m between 1996 and 2001, a 10-fold increase.

Shares in Ericsson, which publishes full-year results today, rose SKr8 to SKr252 yesterday.

UBS mishap leaves image in shreds

The first hint that something had gone terribly wrong at Union Bank of Switzerland came just before the close of business on January 13 in a phone call to the office of Mr Mathis Cabiallavetta, the bank's relatively new and untested chief executive.

Mr Cabiallavetta, 52, who was preparing for a trip to New York the next day, was informed that his bank had inadvertently shredded some historical documents, breaking a newly-imposed Swiss government ban on destroying papers that might be useful to the historical commission which had begun delving into Switzerland's murky wartime record.

The mishap could not have come at a worse time for the big three Swiss banks, which stand accused of still harbouring looted Nazi gold and profiting from the dormant bank accounts of Holocaust victims.

The idea, however misguided, that the country's most powerful bank had been consciously flouting the law by covertly shredding incriminating evidence was bound to increase perceptions that the Swiss banks had a lot to hide.

It also came at a difficult time for Mr Cabiallavetta, who is under pressure to prove he can revitalise the sleeping giant of Swiss banking.

Since he took over last March, UBS shares have underperformed the market by a substantial amount. UBS is now valued at 1.5 times book value, compared with more than two times in the case of Credit Suisse, UBS's arch-rival. His long-awaited restructuring of the group last November was poorly received by the Swiss stock market, which seems to measure management success by the level of job cuts.

Mr Cabiallavetta's initial response to the shredding affair was swift. By 9pm on Monday a second phone call convinced him he had a serious public relations problem on his hands. "The most important things for a financial institution are reputation, reliability and image, and all three have to be looked after by the chief executive," Mr Cabiallavetta says. By the time he left for New York the next day, UBS had issued a press release "strongly regretting" the incident.

However, despite his rapid response, the affair did not die down as quickly as he would have liked. This was partly UBS's fault. Mr Studer, Mr Cabiallavetta's predecessor, and the current UBS chairman, went on TV and attacked the motives of the guard who had uncovered the shredding.

The performance of Mr Studer, who has been sued by the guard for defamation, rekindled old prejudices about UBS's arrogance.

There is also a suspicion that Credit Suisse, which had made a cheeky merger bid for UBS last year, may have exploited the incident to score points off its stronger rival.

Less than a fortnight after news of the shredding, Mr Rainer Gut, Credit Suisse chairman, called for the Swiss banks to establish a well-endowed fund as a goodwill gesture to victims of the Holocaust.

The impression was created that the Credit Suisse initiative had been prompted in part by mounting fears of a boycott of Swiss banks following the publicity about the document shredding, and by a sense that UBS was dragging its feet on the need for a fund.

Mr Cabiallavetta is "totally flabbergasted" by suggestions that UBS would give an order to shred documents and would not participate in the fund along with the other big Swiss banks. The timing of Mr Gut's suggestion had surprised him,

Mathis Cabiallavetta: under pressure to make his mark

but it "vocalised a sentiment which was generally emerging". UBS was just as keen as Credit Suisse to solve the problem quickly.

Nevertheless, UBS's image has been hurt by the affair. Mr Paul Volcker, the former chairman of the US Federal Reserve who is leading the search for dormant Swiss bank accounts, was briefed by Mr Cabiallavetta. But he still felt it necessary to ask his investigators to review the document shredding policies of Swiss banks before they did anything else.

UBS's recent public relations problems have overshadowed Mr Cabiallavetta's efforts to put his stamp on the group. He had completely reshaped his top management team in his first six weeks and reduced the importance of the 17-strong "enlarged executive board" by centralising authority in a seven-man executive board.

UBS's business is being refocused on asset management and private banking, global finance, and risk management services within trading and sales. It is number two in UK corporate finance, number three in Europe, and one of the world's leaders in equity derivatives.

But for the moment, Mr Cabiallavetta is having to spend more time than he would like trying to repair UBS's image.

His task might have been easier if Mr Studer had let him front the bank's public response. However, Mr Cabiallavetta dismisses talk that Mr Studer's interventions have exacerbated UBS's effort to restore its good name.

"Whatever goes wrong now and in the future, I have to take responsibility. Under no circumstances could I come back and say, it's not my fault, I would have done it differently," Mr Cabiallavetta says. "1997 must and will be the year when we deliver."

William Hall

US insurer to spin off 20% of life unit

By John Authers in New York

The Hartford, tbe US insurance group formerly known as ITT Hartford, announced yesterday it was looking to spin off part of its life operations in an attempt to boost shareholder value.

Initial market reaction was favourable, with shares in The Hartford gaining $3¼ at $78¾, well ahead of the market trend.

The company registered with the Securities and Exchange Commission to make an initial public offering of up to 20 per cent of Hartford Life's common stock. Mr Ramani Ayer, The Hartford chief executive, eaid the offering would "enhance the group's sharebolder value," and provide "improved flexibility to fund future growth".

However, the company emphasised it would retain an 80 per cent stake in the life company, and that it would continue to be one of the group's "five key businesses". With $80bn in assets, Hartford Life is the eighth largest life insurer in the US. It specialises in retirement annuities and disability insurance and had revenues last year up 17 per cent, from $3.75bn to $4.39bn.

Ratings agencies said the move would not affect the company's overall rating, as it had already said it was looking for ways to raise capital.

Ms Patricia McWeeney, of the rating agency Standard & Poors, said: "Basically they are under-capitalised, due to issues related to guaranteed investment contracts and asbestosis and environmental claims. This is a sensible way to raise capital."

Hartford, establisbed as part of the demerger of the ITT corporation last year, changed its name in December. It had already taken a third quarter cbarge of $693m last year in an attempt to account for ultimate exposures to asbestosis and environment claims, and another charge of $169m to cover losses on guaranteed investment contracts.

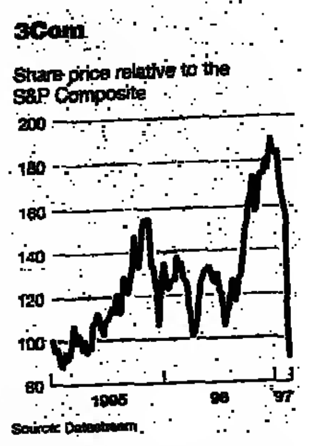
Earnings figures for last year, announced last week, showed losses from catastropbes and weatber-related losaes bad also increased sharply, in line with the trend hitting all US insurers, from $91m in 1995 to $175m.

Other companies are considering similar moves. Nationwide Insurance Enterprise, an Ohio-based mutual insurer, filed in December for a flotation of 20 per cent of its life subsidiary, which is the nation's 14th largest. The aggregate offering price was $500m.

● Cbnbb Insnrance, anotber large general insurer, whicb last year appointed Goldman Sachs, the investment bank, to carry out a strategic review of its life operations, said yesterday this would probably involve a sale of tbe entire life company. Chubb said it bad received approaches from e number of potential buyers. It bad ruled out e public offering.

3Com warning leads network sector lower

By Lisa Bransten in New York and Louise Kehoe in San Francisco



Shares of US computer networking equipment companies continued their recent slide yesterday after 3Com, one of the industry leaders, warned that earnings in the current quarter would be below analysts' expectations.

By midday, 3Com had dropped $11 to trade at $39¾. The company's market value has fallen by more than 50 per cent, or ahout $7bn, since the share price peaked at $80¼ on December 9.

3Com said it expected earnings to be in the range of "mid-40 cents to low-50 cents" per share for the third fiscal quarter, ending February 28, ageinst 42 cents a sbare in the same period last year. Analysts bad been projecting earnings of ebout 60 cents a share.

Sharea of networking equipment companies soared last year as investors looked to them as a safe way to invest in the growth of the Internet.

3Com's shares, for example jumped 57 per cent last year and Cisco Systems' stock gained 71 per cent.

The reversal began at the end of January, amid investor fears of slowing growth in the sector.

Last week Cisco Systems, the market leader, fell sharply efter reporting results slightly above analysts' projections.

In early trading yesterday, Cisco Systems shed $4¾, or 7 per cent, to trade at $58¾. Cescade Communications lost 1\frac{1}{16}$ to trade at $35⅝ and Bay Networks was down $⅝ at $18⅞.

"There is a market slowdown in the networking equipment sector, but it is not across tbe board," said Mr Eric Benhamou, 3Com president and chief executive. Sales of oetwork interface cards (NICs), the circuit boards that link personal computers to a network, as well as low-end switcbes used to link PCs in workgroups, had heen slower than expected over the past two months, he said.

This period of slower growth was an "air pocket" rather than e long-term trend, Mr Benhamou said. The overall market for networking equipment –including routers, switches and hnbs, the core infrastructure of the Internet – was "stronger than ever".

Total networking equipment sales were expected to continue growing at about 30-50 per cent a year, Mr Benhamou said, with the expansion of the Internet and growtb in corporate "intranets" – private networks based on Internet standards.

There had, however, been a "temporary slowdown in PC purcbaees" in Nortb America, he said, and this had hit NIC sales.

Tbe situation has been exacerbeted by intensive price competition. Last month, Intel cut the prices of its NICs 40 per cent. Yesterday, 3Com roughly matched the Intel price cuts.

Traders have cited worries about slowing growth among networking companies as a reason for declines in the technology-rich Nasdeq composite index, and the decline in 3Com sparked more losses yesterday. In early trading the Nasdaq was off 10.67 at 1,347.04, while broader indices were mostly flat.

MB facing period of root and branch reform

Investor pressure on Canadian forest products group may be hard to resist after 1996 results due today, says **Bernard Simon**

MacMillan Bloedel will announce soon that several directors will not be standing for re-election at its annual meeting in April.

Their departure will signal more than e routine sbuffle at the venerable Canadian forest products gronp. Rather, it is a sign that disgruntled shareholders and some senior executives are starting to make themselves beard in MB's boardroom.

The reason for tbeir unhappiness is likely to be evident in MB'e 1996 earnings, due today. Analysts expect that e combination of asset write-downs and sagging paper prices will have resulted in a sizeable fourth-quarter loss. Mr David Smyth, analyst at ScotiaMcLeod, estimates the deficit at about C$70m (US$52m).

As Canada's biggest forestry gronp, Vancouver-based MB was for many years a corporate icon. But the respect has dissipated over the past decade as a eeries of upheavals bave turned MB's famed conservatism from an asset into e liability.

The pressure on MB dates from 1993 when Noranda, the Toronto-based resources group, spun off its 49 per cent controlling block to the public. Although relations between MB and Noranda were at times tense, Noranda was more patient than the pension funds and other institutions that are now in the driver'e seat.

MB has failed to impress them. Its share price languished, even when paper and packaging prices soared in 1994 and 1995. The shares opened in Toronto yesterday at C$17.60, compared with a peak last year of C$20.10

Mr Bob Findley, MB's embattled chief exeentive, declined to be interviewed. His defenders accuse restive ebareholders of putting sbort-term quarterly earnings performance above sound long-term strategy.

They tick off e series of initiatives designed to sharpen MB's focus and invigorate management. The pulp division was spun off in a public share offering in 1994, and MB has since disposed of e shipping business and a minority stake in KNP, the Dutch packaging group. A newsprint machine at Port Alberni on Vancouver Island has been converted to higher-grade lightweight coated paper.

Fresh faces have appeared at the top of the engineered wood and building-materials distribution divisions, operations in Oregon and Mexico, and two flagship paper mills. The solid wood, engineered wood and distribution businesses are gradually being integrated, while the paper division now bas its own corporate identity.

Critics bowever, have yet to be won over. "They're just meking the cosmetic changes," seys Mr Mark Kennedy, analyet at TD Securities in Toronto. "We haven't seen any big strategic shifts yet."

The timing of some moves turned out to he unfortunate. The pulp division was cut loose just as prices started climbing. Now e separate public company called Harmec Pacific, the pulp business posted a 24.3 per cent return on equity in 1995, compared with MB's 15 per cent. The conversion of the Port Alberni mechine has coincided with a slump in coated paper prices.

MB's image bas also taken a pounding from environmental protesters, wbo have blockaded logging roads and damaged equipment in protest against "clear-cut" logging. Some European customers have bowed to pressure to boycott the group's products.

MB felled only balf its 1996 target of trees in the Clayoqoot Sound area of Vancouver Island, a focal point of recent protests. Operations there will come to a virtual halt this year.

The company also tried for eight years to obtain approval for a big recycled paper mill near Sacramento, California – now shelved.

Some critics bave urged MB to dispose of its troubled paper business, leaving it to focus on packaging and building materials.

But finding buyers may not be easy. Most of the paper-making assets, including 1.1m hectares of forest and two paper mills, are in British Columbia. Any forestry company that changes ownership is required to give up 5 per cent of its cutting rights in government-owned foreste. MB'e Powell River mill, once the world's biggest source of newsprint, reflects the inefficiencies of a plant dating from 1911.

But there are signs that a new era is at band. According to ScotiaMcLeod's Mr Smyth, "the good news may be that the current situation will be the catalyst that speeds up the company's leisurely reorganisation."

Mr Dick Haskayne, a Calgary oil and gas executive, replaced Mr Raymond Smith, an MB veteran, as chairman last autumn. At the same time, Mr Ian Delaney, chief executive of Sherritt International, the Canadian group which is one of the biggest foreign investors in Cuba, joined the board.

The directors coming on board in April are also expected to reflect shareholder impatience. One of their first tasks will be to seek a successor to Mr Findlay, aged 63. The betting is they will turn to an outsider or one of tbe company's recent recruits to point MB in a fresb direction.

Smiling in adversity: Bob Findlay's defenders say investors put short-term performance above long-term strategy

Honeywell's Asian expansion curbed by lack of likely buys

By Richard Waters in New York

Honeywell's ambitious plans to expand in Asia are being beld back by the lack of suitable companies to buy, according to the chairman of tbe US control systems maker.

However, Mr Michael Bonsignore also outlined a three-year plan for the company which, if carried out, would confirm its return to robust growth in the mid-1990s after a troubled period.

In common with US rivals such as United Technologies and General Electric, Honeywell has pinpointed Asia's capital investment boom as one of its strongest engines of growth in coming years.

The company's international expansion turns beavily on helping to rejuvenate industrial plants and upgrade power stations in regions such as China and eastern Europe.

In an interview at the end of last week, Mr Bonsignore said that Honeywell expected to double its revenues in Asia by 2000, to $1.5bn, or 15 per cent of the total.

However, be added: "My instinct tells me it sbould be greater."

The lack of a suitable base of local companies to buy meant that Honeywell was unable to move any faster. "It's a mucb tougber nut to crack tban Europe," where Honeywell made 25 per cent of its revenues, Mr Bonsignore said.

Despite that, Wall Street has been encouraged by Honeywell's robust growth in recent quarters, lifting the shares again last week on Mr Bonsignore's projection tbat revenues would continue to grow at 8-10 per cent a year for the rest of the decade. The recent run-up in Honeywell's stock has lifted its price-earnings ratio to about 1.2 times the stock market averege, confirming tbe recent premium valuation it has attracted.

The cyclical upturn in the commercial aircraft business would also enable Hooeywell, a maker of cockpit controls, to raise its operating profit margin from 10.5 per cent to 12 per cent by 2000, Mr Bonsignore predicted.

He also said the group would continue its recent spate of acquisitions, despite the relative scarcity of takeover candidates In Asia.

Two weeks ago it agreed to pay $600m for Measurex, a maker of control equipment for the pulp and paper industry, in its biggest acquisition in 10 years.

Under Mr Bonsignore's leadership, the company has squeezed its working capital remorselessly, producing the casb to finance its expansion. Honeywell has now set a target for working capital of 20 per cent of sales, compared with the present level of 24 per cent.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.03	16.58	17.94
0100	14.32	16.58	17.94
0130	18.08	35.00	36.37
0200	18.08	35.00	36.37
0230	18.08	21.56	22.93
0300	18.08	16.58	17.94
0330	18.08	16.58	17.94
0400	14.32	11.69	13.06
0430	12.95	11.69	13.06
0500	12.85	11.76	11.76
0530	14.70	11.76	11.76
0800	14.70	11.75	11.75
0830	11.89	11.69	13.06
0700	20.82	22.28	23.65
0730	27.76	22.71	24.08
0800	28.34	27.09	28.47
0830	28.34	47.56	48.94
0900	28.35	47.56	48.95
0930	36.53	31.75	33.13
1000	36.53	31.75	33.14
1030	28.35	31.75	33.14
1100	28.35	31.76	33.15
1130	31.90	31.77	33.15
1200	39.32	31.77	33.17
1230	42.71	40.10	41.48
1300	42.71	40.08	41.46
1330	31.90	27.08	28.46
1400	31.90	27.08	28.45
1430	31.89	27.07	28.45
1500	30.89	27.07	28.44
1530	30.88	27.08	28.46
1600	30.89	27.34	28.81
1630	30.95	46.93	51.37
1700	32.82	81.00	90.44
1730	49.12	94.16	104.12
1600	72.78	85.88	94.29
1830	72.35	57.97	61.88
1900	48.23	38.73	40.52
1930	43.07	34.79	36.26
2000	32.24	32.77	34.16
2030	33.86	31.98	33.35
2100	28.34	22.70	24.07
2130	27.79	22.55	23.92
2200	20.03	22.55	23.92
2230	20.82	22.28	23.65
2300	12.85	16.58	17.95
2330	12.85	16.00	17.37
2400	12.85	16.00	16.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as the final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.30pm Monday to Friday.
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COMPANIES AND FINANCE: ASIA-PACIFIC

Higher charges limit rise at Foster's

By Nikki Tait in Sydney

Profits at Foster's Brewing, the Australian drinks group, edged 2 per cent higher to A$169.4m (US$129m) after tax in the six months to end-December, as increased interest charges and abnormals items offset a stronger trading result from the core Australian beer business.

Foster's also warned that while it expected profits before interest and tax to increase in the full year, higher finance charges and the re-emergence of a tax liability on its Australian earnings would "have an impact on the overall earnings performance for the year".

The higher interest charges – which totalled A$47.1m in the first half, compared with last time's A$28.9m – resulted mainly from funding of acquisitions, notably the purchase of the Mildara Blass wine business. Net debt at end-December was A$1.16bn.

Foster's has now used up most of its accumulated operating tax losses, and will become liable in the second half. Mr Ted Kunkel, chief executive, acknowledged that once this happened, a capital reconstruction would be "efficient". Foster's bas already said a share buyback would be possible, but Mr Kunkel declined to say wbether this would happen in the current financial year.

At the trading level, before interest and tax, Foster's saw profits improve 20.1 per cent to A$231.9m on sales of A$1.37bn, compared witb A$1.19bn a year ago.

The advance was partly due to a first-time contribution from Mildara, wbicb made an operating profit of A$33.4m on sales of A$115.9m. However, the core Carlton and United Breweries business in Australia also performed well, with a 4 per cent volume increase in a flat market and a 11.5 per cent increase in operating profits, to A$187.4m.

Foster's said national market share rose to 55 per cent, compared with 53 per cent in the first balf of 1995-96, and Mr Kunkel added that recent hot weather on Australia's east coast bad helped the momentum continue into the current six montbs. Sales for CUB in the first half totalled A$931.7m.

The contribution from Molson Breweries in Canada – in wbich Foster's has a 40 per cent interest – was flat at A$39.7m, on sales down from A$301.5m to A$293.8m. Mr Kunkel said the rate of return continued to justify Foster's investment, but conceded that competition for Molson was "intense".

Tbe recent dispute between Molson and Colorado-based Coor's Brewing led to a less favourable interim agreement for the production and distribution of Coor's products in Canada, meaning that Molson's contribution to Foster's profits is likely to fall in the full-year.

Meanwhile, Foster's China posted increased losses of A$10.2m, after A$6.8m a year earlier, on sales up from A$15.9m at A$20.9m. The company said it still expected the business to break even by 1999.

Mr Kunkel also revealed that Foster's was closer to entering a second Asian market, saying an equity investment was likely this calender year.

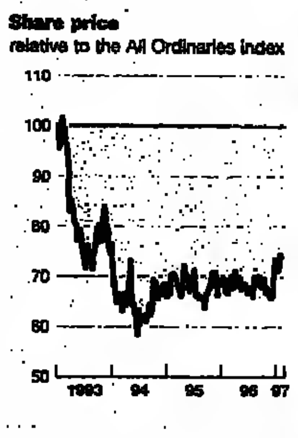
"We are closer to establishing production in at least one, possibly two additional markets, and we'll be aiming to do so as quickly as possible as part of our broader Asian strategy," he said.

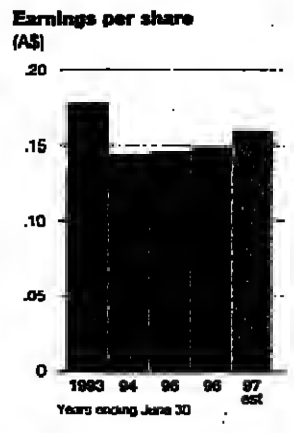
Abnormal items cost Foster's A$5.6m at the pre-tax level, compared witb a A$12.9m gain in the same period a year ago. Foster's shares closed 11 cents lower at A$2.54.

Foster's

Market value	$3.6bn
Main listing	Australia
Historic P/E	17.11
Gross yield	4.3%
Earnings per share	A$0.1496
Current share price	A$2.54

Source: FT Extel, Datastream, Reuter





Ted Kunkel
Chief executive

Honda expects record sales in home market

By Michiyo Nakamoto in Tokyo

Honda, tbe Japanese carmaker, expects to reach record sales in its bome market of 800,000 units in the year to March, but increasing competition will make this difficult to sustain, according to Mr Nobuhiko Kawamoto, president.

"I don't think it's going to be easy for us to reach the 800,000 target. We may be able to do so temporarily, but to sustain it would be more difficult," Mr Kawamoto said.

Mr Kawamoto's remarks come as the Japanese car industry enters a fierce battle for market share before a rise in consumption tax on April 1.

Honda is expected to be a leading beneficiary of the increased demand before the tax rise, because of the popularity of its recreational vehicles.

For tbe year to Marcb, Honda is forecasting record figures: consolidated sales of Y5,100bn ($41bn), pre-tax profits of Y345bn and net profits of Y200bn. Previous records for pre-tax profits and net profits were set 11 years ago.

"One of the major reasons we have been so successful is because we bave brought out new cars – recreational vehicles [RVs] – and there was not so much competition," Mr Kawamoto admitted. "But, especially over the past few years, the market has become extremely competitive and I believe this [RV] market will become saturated quite soon."

Toyota, in particular, is determined to recover its market share of 40 per cent this year. Japan's largest carmaker bas been stalled because of a fire at one of its subsidiaries wbich balted production for a few days last week. The fire is likely to bave a substantial impact on its output before April.

Nevertbeless, Toyota's new models will provide keen competition for Honda, which is offering fewer new cars this year.

Honda, which last year generated 34 per cent of coosolidated sales in Nortb America, expects 40 per cent of the increase in its profits to come from the benefits of a weaker yen. The company bases its forecast on an exchange rate of Y105 to the US dollar, compared with a current rate of more tban Y120.

While production in North America is to be expanded, from 720,000 last year to 840,000 units in 1998, Mr Kawamoto said Honda would also become stronger in the European market by bringing out "tbe kind of small vehicles that will be accepted in Europe".

Initially, Honda will export to Europe some of the RVs it does not yet bave the capacity to manufacture tbere. "UK production has reached 100,000. By the year 2000, we will raise that to 150,000," Mr Kawamoto said.

Nobuhiko Kawamoto: sales target 'difficult to sustain'

Downgrading for Dentsu

By Jonathan Annells in Tokyo

Dentsu, the world's largest advertising agency whicb last week acquired a new site for its Tokyo headquarters, has had its credit rating cut as a result.

Standard & Poor's said it had lowered its sbort-term rating on Dentsu's Japanese commercial paper from A1+ to A1 because of an anticipated deterioration in Dentsu's capital structure.

Costs for the acquisition and construction of Dentsu's new beadquarters are expected to total Y200bn ($1.6bn). The project, planned for the prime Shiodome site in central Tokyo which was auctioned one week ago by the Japan National Railways Settlement, will be financed largely by debt.

Although the advertising company is currently debt-free and has large cash and securities holdings, S&P said Dentsu's net debt leverage was expected to rise to between 30-40 per cent over the next few years, increasing its financial risk.

S&P's concern stems from the "modest" level of cash generated by operations.

Dentsn would not comment, other than to confirm that it had issued commercial paper in the past.

Tbe group has expanded so rapidly in recent years that it bas outgrown its existing bead office in the less prestigious Tsukiji area.

Ms June Bowser, an analyst at property consultants Colliers Halifax, said it would make sense to consolidate Dentsu's operations in one modern building on the edge of the main business and shopping districts.

ASIA-PACIFIC NEWS DIGEST

CPC offers $80m for BGOI stake

Chinese Petroleum Corp, Taiwan's state oil monopoly, has offered about $80m to Crescent Oil, of the United Arab Emirates, for e 40 per cent stake in a Crescent affiliate called BGOI.

The economics ministry, which oversees the oil monopoly, confirmed yesterday that CPC was in talks with Crescent about the acquisition. The deal would allow CPC to take part in BGOI's oil exploration programmes and operations of the gronp's existing oil fields.

"The move is aimed at gaining control of Taiwan's oil sources and lowering import costs," the ministry said. Taiwan lacks natural resources and its export-driven economy is highly dependent on imported crude oil, buying some 150m barrels a year. *Laura Tyson, Taipei*

Hastings launches new fund

Australia will have another publicly listed infrastructure fund next month, wben Hastings Fund Management, the specialist investment group, launches a A$175m trust.

The new Australian Infrastructure Fund will invest initially in five projects: Sydney Light Rail, e light rail project in the inner city; Yallourn Energy, which operates one of the privatised power stations in Victoria state; a toll road operator in Sydney; EPIC Energy, which has various gas pipeline interests; and United Energy, one of the electricity distributors, also based in Victoria. The fund will invest in the Transurban road project in Melbourne.

According to Hastings, which was set up three years ago, the fund will be more than 50 per cent invested at the outset and offer a yield of 8.2 per cent. Trading in the new AIF securities is due to start on March 6.

Nikki Tait, Sydney

Takeover bid for Loscam

GE Capital, the US financial services group, yesterday made a A$54.2m (US$41.37m) takeover offer for Loscam, the quoted Australian equipment hire group which is 80.7 per cent owned by Pacific Dunlop, the Melbourne-based conglomerate.

The offer, worth 43 cents a share in cash, was welcomed by Loscam, and Pacific Dunlop said it would accept it in the absence of a higher offer. GE Capital has steadily built up an Australian business in the past three years. Loscam shares were suspended ahead of yesterday's announcement, when they were trading at 37 cents.

Nikki Tait

Wesfarmers ahead sharply

Wesfarmers, the Australian resources and rural products group, yesterday announced a sharply improved first-half profit of A$57.5m (US$44m) after tax. A year ago, in the six months to end-December, the group made only A$38.2m. Earnings per sbare were 45 per cent higher, at 25 cents, while sales increased 8 per cent to A$1.3bn.

Wesfarmers, whicb is based in Perth, said the improved result was due to a strong performance from its fertiliser and chemicals division, and from a stronger performance from its Wesfarmers Dalgety division, which is being restructured.

The energy and retailing businesses also improved, although the group's timber interests were affected by the continued slump in the bousebuilding sector. However, Wesfarmers said that the outlook for the full year was "very favourable". *Nikki Tait*

COMPANIES AND FINANCE: ASIA-PACIFIC

Mesa buys WMC oil unit

By Nikki Tait in Sydney

WMC, the Australien resources group, is to sell its Greenhill Petroleum subsidiary to Mesa, the US oil independent controlled by Mr Richard Rainwater, the Texas-based investor, and Mr T. Boone Pickens, the legendery oilman, for US$270.5m.

Greenhill takes in oil and gas operations in the US, mainly in Texas, Louisiana and New Mexico. In 1995-96, oil production was 2.57m barrels, down 11 per cent on the previous year, with gas production totalling 8,325m cubic feet. The wholly-owned subsidiary was valued in WMC's 1995-96 eccounts at A$273m (US$208m), and made a A$2.79m loss after tax.

The sale follows WMC's announcement last year that it would dispose of most of the assets within its petroleum division – the main exception being the majority stake in the A$450m gas pipeline in Western Australia, which will service some of WMC'a interests in the goldfields region.

Other petroleum assets up for sale are mainly in Australia and New Zealand, and the company has indicated that it would expect to finalise these disposals in the current financial year.

The Australian company has a heavy capital investment programme, as it undertakes a A$1.2bn expansion of its copper-uranium operations in South Australia, its St Ives goldmining interests in Western Australia and a new fertiliser project in Queensland.

Analysts generally welcomed the Greenhill sale, although shares in WMC – which is due to report interim profits tomorrow – slipped 15 cents to A$7.85.

T. Boone Pickens, joint controller of Mesa

New entries in Asian car race

Honda and Toyota are producing models specially for the region

Two new cars are emerging into the traffic which clogs south-east Asia's streets. The small four-door models go no faster than their passenger-car counterparts and are less utilitarian than the popular pick-up truck.

But the appearance of the Honda City and the Toyota Soluna signals the beginning of a race for an important share of the rapidly-growing south-east Asian market.

Introduced in south-east Asia over the past six months, Honda'e low-priced City was the first "Asia-specific" car. By the fourth quarter of last year it had become the best-selling passenger car in Thailand, the region's biggest vehicle market.

Honda's dominance will not last for long. Last month, Toyota launched its Asia-only Soluna. Koree's Hyundai is also making a bid with its Accent sedan, while next year Opel will enter the compact-car segment with a 1.6 litre engine sedan built in Thailand.

But while the Opel and Hyundai entries are simply models of the bottom-of-the-range cars these companies sell in their home markets, the City and Soluna are new cars designed for the region – right down to the City's three-piece bumper, cheap to replace after the inevitable south-east Asian fender-bender.

With vehicle sales in the region nearing 1.5m units in 1996 and projected by the Bangkok-based consultancy Automotive Resources Asia to grow 64 per cent to 2.46m by the end of the decade, both companies see e lot et stake.

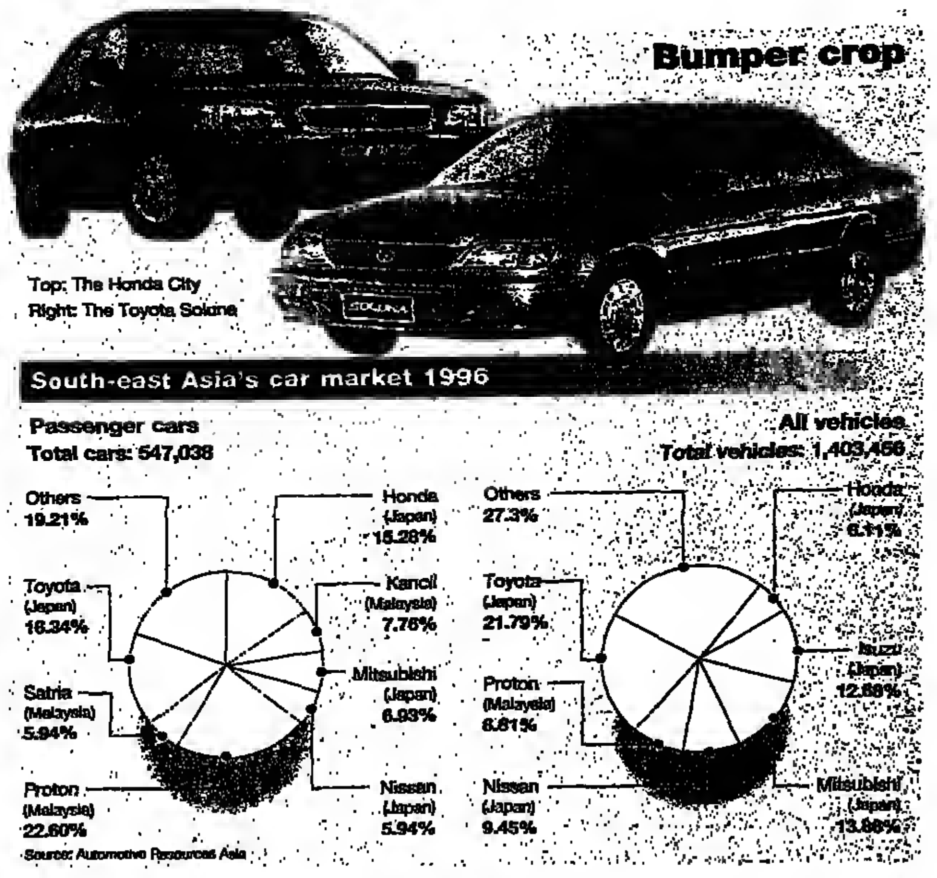
"The Soluna is the most important project for Toyota right now. Looking et world strategy, this is the car for which we expect the market to grow most rapidly and it will affect many countries in the region into the next century," says Mr Yoshiaki Muramatsu, president of Toyota Motor Thailand.

Company executives say producing and selling the Asian cars have amounted to more than simply introducing a new model to a eingle market. Both Honda and Toyota are going after a new market – first-time car buyers – with a new vehicle in a demanding environment. Malaysia and Indonesia, two of the largest vehicle markets in south-east Asia, have netlonal car programmes which subsidise competitors of even locally-produced models of the City end Soluna.

In addition, no south-east Asian merket is large enough to support a highly-automated car production site on its own. Becouse import tariffs on finished vehicles are high throughout the region, the Asian cars had to be cost-effective eveo when assembled manually in small lots of less than 10,000 units per month.

To solve these problems, both Toyota and Honde used a new design technique that reversed the traditional process of designing a car and then reducing costs by squeezing parts suppliers. Attempting to localise production as much as possible, engineers et both Toyota and Honda focused first on what parts local companies could produce cheaply and then designed a car with those components in mind.

"What we learned from designing and producing the City was that you can't just bring a blueprint from Japan and ask your parts suppliers to cut costs," says Mr Nobunari Matsushita, president of Honda Cars Manufacturing in Thailand. "We went around asking for proposals from local parts suppliers and then built up a car blueprint."



Top: The Honda City
Right: The Toyota Soluna

What Honde and Toyota came up with was a car priced several thousand dollars lower but only slightly smaller than the companies' previous bottom-of-the-range passenger car models, the Civic and Corolla, respectively.

Seventy per cent of the parts in both the Soluna and City come from within south-east Asia, against only about half for the Corolla and Civic.

At Honda, where assembly time for a City is only about 10 per cent less than that for a Civic, atteotion wes focused on evolding parts made from dies and moulds, which can cost $1m each. Toyota looked more to speeding up production by seeking out parts that could be snapped together.

Honda is pleased with the success of the City but, after eo much effort to reach first-time car buyers, the profile of its first customers shows that while it has a successful product, it might not have the one it envisaged.

The company looked for 50 per cent of its sales to come from first-time buyers and 50 per cent to replace older cars. But only 35 per cent are first-time buyers, while an equal number are being bought by families as a fourth or fifth car.

Moreover, of the three new models offered, almost 90 per cent of the sales in Thailand are of the top-end model, suggesting too much attention was paid to producing e low-price car.

"This is a new product for e new segment and it may take two or three years for the real market to flush itself out," says Mr Michael Dunne, president of Automotive Resources Asia. "But part of making that market is to put out a new vehicle and see what happens. In that eense, Toyota and Honda are way ahead of the game."

Ted Bardacke and Michiyo Nakamoto

HK$12.5bn loan for Citic Pacific

By Louise Lucas in Hong Kong

Citic Pacific, the Hong Kong arm of the Chinese government's flagship investment vehicle, bas secured a HK$12.5bn (US$1.61bn) bridging finance loan to belp it pay for its recently acquired stake in China Light and Power.

Citic Pecific last mouth agreed to pay HK$16.25bn for a 20 per cent stake in CLP, Hong Kong's biggest electricity supplier. It has paid the balance of tbe purchese price from internal resources.

The loan sees Citic Pacific's gearing jump from about 30 per cent before the transaction to about 70 per cent after, assuming tbe entire loan is drawn down, company figures say. The company admltted tbe 70 per cent level was higher than wbat it would consider reasonable, and anticipated a reduction over time.

Altbough nothing bas been finalised, analysts heve speculated thet the company's most obvious asset sale would be its 8 per cent stake in Hongkong Telecom, the territory's dominant carrier, which is itself controlled by Cable and Wireless, of the UK. Citic Pacific has already pruned its holding in Hongkong Telecom – most recently in June last year, wben it cut its stake from 10 per cent, raising HK$3bn.

Five banks are involved in the loan: HSBC Investment Bank Asia, Hang Seng Bank, Chase Manbetten Asla, J.P. Morgan Securities Asia and Banque Nationale de Paris. Each has put up HK$2.5bn.

Citic Pacific yesterday completed the first part of its two-stage acquisition of the CLP stake. Consequently, CLP welcomed its first Citic Pacific director on to its board: Mr Larry Yung, chairman of Citic Pacific and eon of China's vice-president. Two of Mr Yung's colleagues are to join him after completion of the second stage of the deal.

British Gas worried that growing differential in valuations could make supplier a bid target

Centrica shares rise in 'grey market'

By Robert Corzine

Centrica shares surged ahead yesterday on the first day of trading in the "grey market" set up to pave the way for the entry of the company to the FTSE 100 next week.

Centrica, which includes the domestic gas supply business of British Gas, opened on the informal grey market at 60p (98 cents) a share. By the close it had risen to 69¾p, while the price of its sister company, BG plc, had fallen from 178p to 173p.

The growing differential is said to be the subject of some concern at British Gas, which has seen its share price surge in recent days to a nine month high in the run-up to demerger.

Much of the rise in British Gas shares has been attributed to growing investor interest in Centrica. However, over the past week there bas beeo increasing speculation that the supplier might become a bid target.

Several City analysts have also raised their valuations on the company, although many remain divided oo its prospects. The range of valuations stretches from a low of about 40p a share to a high of 91p.

Mr Richard Giordano, British Gas chairman and chief executive, will ask shareholders on Wednesday to approve the demerger of the company, due to take effect on February 17.

Voting on the demerger is still going on, but British Gas expected "overwhelming support", both from institutions and private shareholders.

Executives are hoping for a smooth transitioo to two quoted companies and a gradual realignment of some institutional shareholders to reflect the change in risk profiles of the businesses.

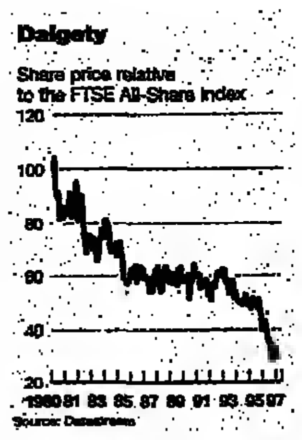
But there are fears that the strong rise in Centrica shares could contain the seeds of a massive sell-off next week.

A big proportion of British Gas's shares are beld by income funds interested in the company's historically bigh yield. However, Centrica will not pay a dividend. Some income funds are thought to be happy to maintain their Centrica shareholdings, at least in the short term.

But a larger number may be tempted to take advantage of any premium in Centrica's sbare price and unload holdings in the first few days of trading uext week. A messive share sell-off by the income funds could cause the Centrica share price to collapse. That in turn could open the way for a hostile bidder.

LEX COMMENT

Dalgety



Dalgety's shares have been going to the dogs for the last 20 years, but the management claims petfood is about to spark a recovery. It looks the company's best chance. The Felix catfood brand has made great strides during the past year, increasing market share and price despite Mars' relaunch of Whiskas. Winalot bas lost ground, but another revamp is promised. Nevertheless, the entire division's profits this year will scarcely exceed even the cost savings promised from the £465m acquisition of Quaker Oats' European petfood business in early 1995. And there is no reasou wby margins should uot double from their unacceptably low level, given more focus on costs.

The problem is Dalgety's legacy of a vast dividend pay-out, which costs £65m a year. Capital expenditure will drop by a third this year to £75m, and it is hard to believe the dividend policy is not the cause. At least this should force the management to focus on pushing up returns, rather than looking for deals. But Dalgety is in effect fighting Mars and Nestlé with its hands tied. And United Biscuits' snacks battle with PepsiCo demonstrated bow uncomfortable such a position can be.

The agri-business will rebound from BSE-related lows, but a recovery is already in the share price. So the real bope for investors is that Nestlé or Ralston Purina launch a bid to take the petfood business. It is possible, since Dalgety trades at a discount to break-up value. But given its record, bidders may prefer to walt.

Avis Europe seeks £250m in float

By Charles Batchelor, Transport Correspondent

Avis Europe, the largest European car hire company, plans a London stock market listing, its second in just over a decade, in a move expected to value the company at about £700m ($1.14bn). It hopes to raise £250m of new funds.

First floated at a valuation of £270m in 1986, it was bought ont three years later for nearly £900m by Cilva Holdings, a consortium whose majority shareholder is SA D'Ieteren, a family-owned Belgian car importer.

Attempts to reunite the US and European divisions of Avis were dropped after Avis Inc was last year acquired by HFS, a hotel and time share franchising group.

The second flotation, planned for early April, will result in General Motors disposing of its 14.2 per cent holding and Avis of the US selling its 8.7 per cent stake.

D'Ieteren intends to retain its shares, currently 77.1 per cent, and will still bold more than 50 per cent of the company after the share issue.

This will complete GM's withdrawal from car leasing following its earlier sales of National Car Rental and its stake in Avis Inc. GM and Avis have, however, signed a five year deal for the supply of uew cars.

Avis Europe will acquire a new 40-year licence to use the Avis name in Asia in conjunction with the float in return for royalty payments.

Ashley Ashwood

Alun Cathcart, chairman, (left) and Jacqnes de Smet, chief financial officer of D'Ieteren

Millwall jobs go in rescue

By Tim Burt

Administrators at Millwall, the debt burdened London footbell club, yesterday ousted the chief executive and team manager, and put 12 players on the transfer list in a bid to cnt costs ahead of a rescue rigbts issue.

Iusolvency specialists Buchler Phillips, called in last month to revive the club, said the job cnts were vital if the group was to reduce losses, which reached £2.9m ($4.72m) last year.

Millwall is the first quoted football club to be placed in administration, and the staff cuts were said to be the first time tbat a manager and players bad paid the penalty for failing to meet sbareholder expectations.

Tbe club, which came briefly to the First Division – forerunner to the Premier League – before its 1989 flotation, has since been relegated and seen its shares fall from a high of 20p to 4p.

Mr David Buchler, joint administrator, suggested the difficulties at Millwall might not be confined to the second division club.

"The big issue for this and other clubs is not the potential earnings bnt the quality of the management. That can affect the level of investment the City is prepared to make.

BSE costs Dalgety £6m and delays plans

By Roderick Oram, Consumer Industries Editor

Dalgety said yesterday that BSE had cost it more than £6m ($9.8m) in lost profits in its animal feed division and contributed to a two-year delay in plans to become the second largest European petfood producer.

"Tha consequences of BSE were much worse than one would have thought at the beginning," said Mr Richard Clothier, chief executive.

Among quoted food and agribusinesses, Dalgety has been hardest hit by the disease because of tha impact on its two main divisions. Its cattlefeed volumes fell 30 per cent in the six months to December 31, costing £6.1m in profits. The export ban on UK meat products had disrupted its petfood exports. Group pre-tax profits for the six months fell 8 per cent to £43m. But confident of a better second half, the company maintained its interim dividend at 8.5p a share. Shares closed 1½p higher at 341p.

Several analysts said the management would have to achieve substantial improvements in petfood operations over the next six months in order to retain shareholders' confidence. "There is great potential for recovery in petfoods but there's a buge amount to do to improve the business," said Mr David Lang, analyst with Henderson Crosthwaite. "The management team needs to be strengthened some more."

"The performance of the group has been below market expectations in the last year and that must be rectified," said Sir Denys Henderson, the former chairman of Imperial Cbemical Industries, wbo became Dalgety chairman last December.

Mr Clothier said the petfoods division, expanded by the £442m purchase of Quaker's European operations two years ago, had achieved its main ambitions for the first half: its Felix catfood brand had withstood the UK relaunch of Whiskas; French and German operations had performed well and pusbed through price increases; and Dalgety was polsed to relaunch its Winalot dogfood in the UK.

Now the large distraction of BSE was largely behind management, Dalgety will complete the integration of Qoaker with its existiog Spillers petfood business.

"Margins should be around 10 per cent and we see no reason why they can't get there," doobling from current levels, said Mr Clothier.

The latest results included no exceptionals. But a year earlier, disposal profits more than offset reorganisation charges to leave pre-tax profits at £69.4m.

Chief's departure hits Toad shares

By Tim Burt

Shares in Toad yesterday fell by nearly a third after the vehicle technology company founded by Mr Chris Evans, the biotechnology entrepreneur, announced the surprise departure of its chief executive after less than six weeks.

Mr Charles Parker, formerly commercial director of Charter Group, the diversified industrial group, left over "irreconcilable differences of management style", according to Mr Evans.

The shares fell 19½p to 41½p, reducing the value of Mr Evans' 20 per cent bolding by an estimated £1.12m.

Mr Evans said be had tried to persuade Mr Parker to stay. "I was borrified and sbocked that he wanted to go; it was clear within a few days of him coming that be didn't want to stay."

Mr Parker was unavailable for comment yesterday.

It is thought the management differences centred on marketing strategy and the pace of cost-cutting at the small company, which only recently moved from Aim to the main market.

Toad's shares were also hit by a gloomy trading statement in which Mr Evans said December and January sales were well below budget.

A Spanish seduction that proved costly for Guinness

Cruzcampo is making a tentative recovery after six years, writes Roderick Oram

In two months' time, Guinness's 1996 results will offer a wee dram of hope for its long-suffering sbareboldars: Cruzcampo, the group's disastrously ill-advised £900m ($1.47bn) Spanish brewing investment, has turned the corner.

That Cruzcampo's profits last year matcbad 1995's meagre income sounds unremarkable. But it means the Spanish brewer achieved in the past six months its first profit upturn after six years of plunging profits and heavy restructuring charges under Guinness ownership.

Considarabla work was required for the acquisition and turnround, but Guinness was in no mood to crow about it. The deal, the largest ever foreign purchase in Spain at the time, has won Guinness the accolade for the worst overseas deal ever made by a British brewer.

Guinness had antered Spain in 1990 with high hopes. Since joining the EU the Spanisb economy had grown briskly, buoyed by the Barcelona Olympics and Expo 92. Better still, beer consumption, low for a hot country, was growing. Best of all, however, was the disarray of brewers. Based on regional fiefdoms, it was ripe for consolidation.

Guinness believed that Cruzcampo, a Seville family-owned brewer, was ideal for exploiting these opportunities. As the dominant brewer in the south-western market with a strong regional brand, Cruzcampo could conquer Spain, Guinness said es it shelled ont an initial £500m.

Brewing lager in Spain sounded logical for a global producer like Guinness. In fact it was a big step away from its strategy. Only in Ireland, a small market it has known for more than 200 years, was it a volume beer producer.

But Guinness did the deal, insiders now say, because it was seduced by Spain, was carried away in the international bidding for Cruzcampo and because thera was an internal rivalry between brewers who were trying to regain power lost to distilling colleagues. Guinness was only a brewer until it started buying Scotch whisky and other spirits prodncers in tha 1980s. Now brewing is only 25 per cent of group profits.

No sooner did Guinness arrive in Spain than both the economy and beer drinking went into decline, exposing Cruzcampo's weaknesses an an inefficient brewer which had failed to integrate a collection of local producers it had acquired over the years.

The Spanish beer market has fallen nearly 20 per cent in six years, but Cruzcampo fell further as it rationalised portfolio and production. The industry's profits were further bammered by a swing away from high-margin on-trade sales to low-margin take-bome.

To give Cruzcampo a shot at a profitable future, Guinness reinvented the company. Led by Mr Allen Peeters, a Dutchman, Cruzcampo restructured resulting in a 50 per cent cut in costs in six years.

But building a national brand and distribution has been less successful. Its mascot, Gambrinus, was seen as "a lazy drunk, a typical siesta man of Andalucia," said a senior Cruzcampo marketing man. The mascot has now been updated.

From a standing start Cruzcampo now sells some 30 per cent of its beer outside its region, and claims national distribution. But in key markets, such as metropolitan Madrid, it has failed to crack the dominance of local brewers.

The costs of recreating Cruzcampo were steep. Further acquisitions of minority stakes, restrncturing charges, capital spending and other expenses caused casb outflow to accelerate from about £10m in 1991 to £70m in 1995, NatWest Securities estimates, taking the total Cruzcampo cost to Guinness to about £900m.

A small return on investment has been the reward: from 8.9 per cent in 1991, it bumped along at about 2.5 per cent in the mid-1990s and is starting to recover. Yet, Guinness's average cost of capital is about 9 per cent, and its return on capital employed is about 17 per cent.

As the Spanish beer market continued to slide last year, Cruzcampo eked out a first half trading profit of £3m, but there has been a recovery and full year profits could be close to £20m; last year's profits were £20m before £2m of property profits and £29m restructuring charges on sales of £336m.

Analysts estimate, however, a disproportionately high contribution from international brands.

"If we improve, it is because we hava taken specific actions, not because the economy is better," Mr Peeters said.

But a £20m return on a £900m investment is thin beer. What of the future? Even wben the economy and beer drinking improve structural problems will persist.

Tha key is a further consolidation of brewers and an overhaul of trade channels. Cash inducements in the form of pre-paid discounts are still the main way a brewer persnades a bar-owner to pour its beer.

Cruzcampo bas about 25 per cent of the national market, fighting the local subsidiaries of Heineken of the Netherlands, Danone of France, Coors of the US and Binding of Germany. All agree thet someone has to cave in to a takeover or some other form of alliance, but everyone is waiting for someone else to take the pain.

Guinness executives say publicly they will not buy anyone or sell Cruzcampo. Their view is that a £20m annnal profit is a pretty decent return on the price the group would get for selling Cruzcampo so it might as well hang on for the upturn.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
British Airways	9 mths to Dec 31	6,410	(5,924)	583	(534)	48.9†	(42.9)	-	-	-	-	13.65
Bryant	6 mths to Nov 30	257.2	(231.7)	15.4	(10.1)	3.7	(2.4)	1.45	Apr 23	1.45	-	5.05
Dalgety	6 mths to Dec 31	2,195	(2,179)	43	(69.4♥)	9.3	(17.7)	8.5	June 2	6.5	-	22
Huntingdon Intl	Yr to Dec 31 ♦	73.6	(96.2)	9.35	(29♠)	7†	(28.9L)	nil	-	nil	nil	nil
London Industrial	9 mths to Dec 31	12.6	(10.2)	3.58	(3.04)	17.9	(15.7)	-	-	-	-	13
Whittard Chelsea Φ	6 mths to Nov 30	11.6	(9.42)	0.55	(0.369)	2.19†	(1.67)	1	Mar 3	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Olim Convertible	Yr to Dec 31	65.8	(63.4)	1.37	(1.28)	9.16	(8.52)	4.5	Feb 28	4.5	9	9
TR City of London	6 mths to Dec 31 ★	185.95	(167.28)	7.14	(6.98)	3.45	(3.38)	1.54‡	Feb 28	1.42	-	5.8
Warrants and Value	Yr to Dec 31	38.98	(36.74)	0.037	(0.028)	0.05	(0.03)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ♦Comparatives for 15 months. ΦAim stock. ★Comparatives restated. ‡Second interim; makes 3.08p to date.

Subdued inflation statistics lift gilts

GOVERNMENT BONDS

By Samer Iskandar and Edward Luce in London and Lisa Bransten in New York

UK gilts rose to new highs yesterday, after the release of data showing subdued producer price inflation, before retreating on profit-taking.

Liffe's March long gilt future settled at 112⅔, down ⅛ from Friday's closa and well below its intraday high of 113⅔. In the casb market, 10-year gilts underperformed German bunds, the yield spread between the two markets widening by 5 basis points to 169 points.

Analysts said the 0.2 per cent rise in producer prices in January, bringing the annual rate of growth down to s 10-year low of 1.5 per cent, made it more likaly that Mr Kenneth Clarke, the chancellor of the Exchequer, would continue to resist pressures by the Bank of England for a rise in interest rates.

"The market is in a bullish mood," said Mr Andrew Roberts, a gilt analyst at UBS in London. "But the week is heavy in terms of data releases."

Trading in gilts is expected to remain erratic while market participants await the publication of the Bank of England's inflation report and employment and wage figures tomorrow, and retail prices on Thursday.

Mr Roberts also predicted demand for gilts would remain buoyant as long as sterling continued to show strength on the foreign exchange markets.

German bonds had a positive session, with Liffe's March bund future settling at 102.66, up 0.12, before rising to a high of 102.78 in after-hours trading.

"The weak economy will continue to shield the German yield curve from bearisb influences out of the US," said economists at ABN Amro Hoare Govett. "Market expectations will continue to bias towards a Buba on hold with a small chance of a cut in official rates."

Italian bonds underperformed other markets, despite confirmation by Mr Hans Tietmeyer, president of the Bundesbank, that Italy's eligibility for Emu would be judged on its economic performance alone.

This appeared to play down worries that Italy might be denied its ambition to become a founding member of Emu in excbange for a "guarantee" to be in the second wave in 2000 or 2001.

Economists attributed the poor performance of BTPs to Chancellor Kohl's publicly-voiced concerns over tbe weekend that high unemployment could jeopardise Germany's chances of joining Emu on time.

Traders said worries over Emu as a whole would inevitably affect Italy most. Liffe's March BTP future fell 0.22 to close at 131.08, while in the cash market yield spreads between BTPs and bunds widened six basis points to 160 points.

"There are signs of creeping nervousness about Emu, especially after Chancellor Kohl's comments," said Mr Andrew Bevan, chief bond economist at Goldman Sachs in London. "There is some room to speculate that Italian divergence from the core countries is already starting to happen."

Spanish bonos rose in line witb bunds, reflecting the country's more favourable Emu prospects. Expectations of a 25 basis point cut in Spanish repo rates have been damped, however, by the peseta's recent weakening against the D-Mark.

March futures on 10-year bonos, traded in Barcelona, rose 0.10 to close at 114.20. Analysts are expecting figures due later this week to show Spanish inflation falling to 3.0 per cent in January from 3.2 per cent in December.

US Treasury prices were flat early yesterday as the dollar bounced back from a round of selling in Asian and European trading.

Near midday, tha benchmark 30-year Treasury was ⅛ higber at 97¼ to yield 6.689 per cent whila tha two-year note slipped ⅟₃₂ to 100⅟₃₂, yielding 5.840 per cent. The March 30-year bond futures contract climbed by ⅛ to 112⅔.

Bonds began the US session lower as comments made at the weekend's meeting of finance ministers from the Group of Seven industrialised nations led some traders to sell dollars. G7 finance ministers appeared to signal after their meeting in Berlin that they were opposed to further gains in the value of the dollar.

By early afternoon, the US currency was only modestly below its levels of late Friday in New York, changing hands at Y122.50 and DM1.6552 compared with Y122.93 and DM1.6583 on Friday.

Worries about new supply put some pressure on the market. As part of its quarterly refunding operations, the Treasury department is to sell $17.75bn in three-year notes today, $12bn in 10-year notes tomorrow and $10bn in 30-year bonds on Thursday.

CAPITAL MARKETS DIGEST

Istanbul to trade Turkish eurobonds

Istanbul's stock exchange plans to kick-start its new offshore securities market in the next few days with the launch of trading in Turkish eurobonds. Dealing in the bonds, of which there are about $13bn outstanding, is currently concentrated in London. But the Istanbul exchange authorities, who are trying to establish the city as a regional financial centre, say Turkish banks hold 60 per cent of the bonds and would be better served by a new wholly-offshore market in Turkey.

"The idea is to increase liquidity because there are few market-makers in London and most of their clients are Turkish banks," said Mr Hüseyin Erkan, the exchange's executive vice-chairman. He says Istanbul's tax-free environment would help turnover and boost liquidity in London and Istanbul, creating arbitrage opportunities. Additionally, spreads and interest rates would decline, encouraging more bond issuers to raise capital more cheaply. Until now the Treasury has been Turkey's only big eurobond issuer.

The Treasury, which is expected to borrow about $5bn overseas this year from banks and the bond market, has seen its borrowing costs pushed up by international credit rating agencies' downgrades of Turkey's rating in December. They cited excessive government spending and absence of structural reforms for the downgrades.

The Istanbul stock exchange launched its offshore international market last year as a tax-free adjunct to the existing market, where daily turnover recently reached $600m. Foreign companies, international investment funds and overseas subsidiaries of Turkish corporations would be able to list in the Istanbul international market, where no local taxes or duties would be levied.

Although Mr Erkan says the market has aroused some interest, he has not received any corporate listing applications yet. He says a well-ordered eurobond market would help establish the new market's reputation and gear up liquidity. He hopes eurobond trading will reach $50m a day by the end of its first year. "Trading will follow all international rules on settlement," said Mr Erkan. Clearing will be made through the Cedel system first, to be followed later by the Euroclear network.

John Barham, Ankara

Polish share certificates leap

The price of Poland's universal share certificates, which give holders a stake in the country's mass privatisation scheme, has risen sharply after a US bank moved to lift foreign investment in the scheme. The Bank of New York announced last week that it was creating Global Depositary Receipts, which trade in lieu of underlying shares, to help foreigners gain access to the programma.

The price of the certificetes on the Warsaw Stock Exchange yesterday reached an all-time high of 170 zlotys. The $56.60 GDR price in London matched the Warsaw price. On Friday, the price of the certificates jumped by almost 10 per cent to 164 zlotys ($54.60) after the GDR announcement.

Christopher Bobinski, Warsaw

Panama debut deal oversubscribed

INTERNATIONAL BONDS

By Conner Middelmann

Panama made an impact yesterday with its inaugural eurobond issue – $500m of five-year bonds which were heavily oversubscribed.

The issue performad strongly, with the honds' yield spread over Treasuries narrowing sharply: the launch spread of 175 basis points tightened by more than 20 basis points.

Some dealers thought the pricing was on the generous side, noting that Croatia, whose credit rating is only one notch higher than Panama's, last week issued its debut bond at a spread of 80 basis points over Treasuries.

However, lead manager BankBoston pointed out that Panama's Ba1/BB+ rating is sub-investment grade whereas Croatia is investment grade, justifying e significant yield premium.

"The borrower wanted to ensure its inaugural issue was a success," said Mr Stephen DaSalvo, managing director for emerging market debt syndication at BankBoston. "We priced the honds at the bottom end of the indicated range of 175-205 basis points."

BankBoston, a relative newcomer to the eurobond market, is thought to have won the mandate on the strength of its close relationship with Panama; it recently acted as the country's rating adviser, and advised it on last year's Brady restructuring.

Colombia is another Latin American issuer waiting to tap the market; its $750m 10-year global bond is expected to be launched tomorrow. Price talk was for a yield spread of 135 to 140 basis points over Treasuries; J.P. Morgan and Merrill Lynch are joint leads.

Meanwhile, the market was awaiting Siemens' three-tranche, 10-year parallel bond offering, expected today. Helped by the rarity appeal of the paper – the triple-A rated blue-chip has not been to the public bond market for more than 25 years – the issue is likely to be beavily oversubscribed.

Dealers are expecting the D-Mark tranche to total around DM750m, the French franc portion FFr2.5bn, and the Dutch guilder trancbe about Fl 500m.

BZW and Marrill Lynch bava heen appointed to arrange the first global bond issue in the sterling sector. The terms of the deal for Fannie Mae, the US agency, will be determined after discussions with international investors, hut market talk was for £750m of five-year bonds priced at 10 basis points over gilts, launched as early as today.

Spintab, the Swedish mortgage bank, issued $400m of five-year bonds at 30 basis points over Treasuries. The issue was intended to boost Spintab's profile among institutional investors but also attracted retail interest, lead manager HSBC said.

● Cedel Bank has been rated AA+ by S&P and AA by IBCA in the first long-term credit ratings for the Luxembourg-based securities depositary. Mr Ray Soudah, Cedel chief financial officer, said tbe ratings would belp reduce funding costs and underpin growth. Cedel holds $1,300bn of securities for safe-keeping and handled $13,000bn of settlements last year.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Republic of Panama	500	7.88#	99.83R	Feb 2002	0.75R	175(6¼%-02)	BankBoston Corp
Spintab	400	6.50	99.76R	Mar 2002	0.28R	+30(6¼%-02)	HSBC Markets
Abbey National Tsy Services	200	6.00	99.95R	Mar 1999	0.13R	+10(5⅞%-99)	Nikko Europe
LUXEMBOURG FRANCS							
Credit Local de France(f)	3bn	5.00	102.85	Jun 2003	1.88	-	BIL
STERLING							
New Zealand(s)✶	70	6.00	100.00	Aug 1998	0.50	-	Nikko Europe
SWISS FRANCS							
ABB International Finance(s)	150	3.00	102.40	Sep 2002	std	-	UBS Zurich
Daimler-Benz Nth America(s)	125	3.13	102.25	Sep 2002	1.88	-	Merrill Lynch
AUSTRALIAN DOLLARS							
National Australia Bank	150	6.50	100.62	Mar 2000	1.50	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over rlvnt gvt bond) at launch supplied by lead manager. ✶Unlisted. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. f) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.750	11/06	95.7911	−0.330	7.36	7.28	7.39
Austria		5.625	01/07	100.0200	+0.130	5.62	5.74	5.84
Belgium		7.000	05/06	110.1000	+0.140	5.57	5.69	5.88
Canada *		7.000	12/06	104.8500	+0.100	6.33	6.47	6.30
Denmark		8.000	03/06	111.6800	+0.300	6.27	6.45	6.54
France	BTAN	5.500	10/01	104.6728	+0.120	4.38	4.50	4.61
	OAT	6.500	10/06	107.8800	+0.140	5.48	5.58	5.79
Germany Bund		6.000	01/07	102.8800	+0.130	5.61	5.71	5.79
Ireland		6.000	08/06	110.5500	+0.150	6.47	6.62	6.69
Italy		7.750	11/06	104.8200	−0.090	7.05†	7.41	7.45
Japan	No 143	6.300	09/01	0.0000	-	0.00	1.36	1.55
	No 182	3.000	09/05	0.0000	-	0.00	2.38	2.55
Netherlands		5.750	01/07	101.7000	+0.280	5.40	5.53	5.71
Portugal		9.500	02/06	119.0700	+0.170	6.63	6.72	6.82
Spain		8.800	04/06	114.4600	+0.110	6.84	6.77	6.80
Sweden		8.000	08/07	109.1330	−0.010	6.75	6.93	6.76
UK Gilts		8.000	12/00	104-02	−2/32	6.77	6.89	7.18
		7.500	12/06	102-11	−8/32	7.16	7.31	7.51
		9.000	10/08	113-23	−6/32	7.24	7.40	7.58
US Treasury *		6.500	10/06	100-22	−4/32	6.40	6.44	6.30
		6.500	11/26	97-14	−6/32	6.70	6.74	6.54
ECU (French Govt)		7.000	04/06	107.8500	+0.480	5.87	5.96	6.08

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.86
Prime rate	8¼	Two month	-	Three year	5.97
Broker loan rate	7	Three month	5.13	Five year	6.16
Fed.funds	5¼	Six month	5.26	10-year	6.41
Fed.funds at intervention	-	One year	5.48	30-year	6.71

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	131.24	131.46	+0.18	131.50	131.16	47,065	141,777
Jun	129.94	130.18	+0.18	130.12	129.92	286	14,597
Sep	128.28	128.48	+0.18	128.28	128.28	2	876

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Apr	Calls Jun	Puts Mar	Puts Apr	Puts Jun
128	3.47	-	-	0.02	0.20	0.60
129	2.49	-	-	0.03	0.39	-
130	1.55	0.86	1.41	0.09	0.70	1.25
131	0.72	0.43	0.94	0.26	-	-
132	0.22	0.17	0.58	-	-	-

Est. vol. total, Calls 14,674 Puts 11,891. Previous day's open int., Calls 156,934 Puts 168,820.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	102.48	102.66	+0.12	102.78	102.42	100426	239057
Jun	101.63	101.78	+0.12	101.83	101.83	1850	12313

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
10250	0.44	0.38	0.64	0.82	0.28	1.10	1.36	1.54
10300	0.20	0.23	0.46	0.62	0.54	1.45	1.68	1.84
10350	0.08	0.14	0.32	0.47	0.92	1.86	2.04	2.19

Est. vol. total, Calls 16592 Puts 11592. Previous day's open int., Calls 212584 Puts 222481

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	131.15	131.08	-0.22	131.60	130.81	41915	106322
Jun	130.90	130.56	-0.21	131.04	130.70	526	13720

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
13100	0.89	1.87	0.61	2.29
13150	0.42	1.61	0.84	2.53
13200	0.28	1.37	1.20	2.79

Est. vol. total, Calls 4690 Puts 3458. Previous day's open int., Calls 144591 Puts 150692

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	114.11	114.19	+0.08	114.44	113.98	64,679	66,282
Jun	114.30	114.18	+0.11	114.30	114.30	216	856

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	113-02	112-29	-0-10	113-15	112-28	55033	195421
Jun	112-30	112-14	-0-09	112-30	112-13	3861	2433

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
112	1-11	1-24	1-53	2-09	0-17	0-60	1-25	1-45
113	0-35	0-56	1-20	1-40	0-41	1-28	1-56	2-12
114	0-13	0-33	0-59	1-14	1-19	2-05	2-31	2-50

Est. vol. total, Calls 6720 Puts 10653. Previous day's open int., Calls 89459 Puts 42052

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	97.30	97.54	+0.16	97.56	97.30	559	5,258

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	112-14	112-13	-0-02	112-16	112-03	550,259	464,178
Jun	111-29	111-31	-0-01	111-31	111-25	9,031	38,498
Sep	-	111-18	-	-	-	4,463	7,737

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	126.30	-	-	126.39	126.30	1282	n/a
Jun	124.87	-	-	124.93	124.86	489	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Mon Feb 10	Day's change %	Fri Feb 7	Accrued interest	xd adj. ytd
1 Up to 5 years (20)	121.93	−0.07	122.01	2.79	1.16
2 5-15 years (21)	152.91	−0.22	153.25	2.72	1.09
3 Over 15 years (6)	175.89	−0.19	176.23	4.46	1.00
4 Irredeemables (5)	201.69	−0.18	202.02	2.84	1.00
5 All stocks (52)	147.19	−0.15	147.43	3.10	1.12
Index-linked					
6 Up to 5 years (2)	206.50	0.03	206.45	2.17	0.00
7 Over 5 years (10)	200.58	0.30	199.98	1.03	1.45
8 All stocks (12)	200.12	0.27	199.56	1.14	1.29

UK Indices

	Low coupon yield Feb 10	Feb 7	Yr. ago	Medium coupon yield Feb 10	Feb 7	Yr. ago	High coupon yield Feb 10	Feb 7	Yr. ago
5 yrs	6.87	6.82	7.00	6.93	6.88	7.04	6.97	6.92	7.12
15 yrs	7.33	7.30	7.85	7.31	7.28	7.89	7.21	7.34	7.98
20 yrs	7.41	7.39	7.96	7.38	7.34	7.98	7.22	7.41	8.06
Irred.†	7.51	7.49	8.08						

	Inflation 5% Feb 10	Feb 7	Yr. ago	Inflation 10% Feb 10	Feb 7	Yr. ago
Up to 5 yrs	3.09	3.03	2.81	2.37	2.36	1.42
Over 5 yrs	3.36	3.38	3.63	3.17	3.19	3.44

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Feb 10	Feb 7	Feb 6	Feb 5	Feb 4	Yr ago	High*	Low*
Govt. Secs. (UK)	96.32	96.30	95.73	95.50	95.71	94.58	96.34	91.59
Fixed Interest	119.45	119.16	116.90	117.98	117.94	112.80	119.45	110.74

Gilt Edged Activity Indices

	Feb 7	Feb 6	Feb 5	Feb 4	Feb 3
Gilt Edged bargains	99.1	86.9	97.2	96.5	74.4
5-day average	90.8	86.4	85.4	81.5	84.5

 * for 1996/97. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 10

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	99⅞	100⅛	-⅛	6.52
ABN Amro Bank 7¼ 05	1000	102¼	102½		7.01
Aircan Dev Bk 7½ 23	500	101½	101⅞		7.24
Spain 7¼ 00	4000	111⅛	111¼		5.07
Volkswagen Intl Fin 7 00	1000	106½	106⅞		5.37
World Bank 5⅞ 03	3000	104⅞	105	+⅛	5.00
World Bank 6¼ 02	3000	106½	106⅝		4.77
Abbey Natl Treasury 6 03 £	1000	103	103¼	+⅛	7.37
British Land 8⅞ 23 £	150	102⅞	103	+⅛	8.79
Denmark 6¾ 98 £	300	100⅛	100¼	+⅛	6.62
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Exch 10½pc 1997	10.50	6.32	100⅛	−⅛	107⅛	100⅛
Treas Cnv 7pc 1997‡‡	6.97	6.12	100⅛	—	101⅞	100⅛
Treas 8¾pc 1997‡‡	8.63	6.12	101⅜	+⅛	107⅜	101⅛
Exch 15pc 1997	14.15	6.20	106	−⅛	114⅞	106⅜
Exch 9¾pc 1998	9.45	6.28	103⅛	−⅛	106⅜	100⅛
Treas 7¼pc 1998‡‡	7.18	6.33	101⅛	−⅛	108⅜	100⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. ✶ Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

Dollar firm despite Berlin statement

MARKETS REPORT

By Richard Adams

The US dollar remained firm against the Japanese yen and the major European currencies yesterday in the wake of the weekend statement by finance ministers of the Group of Seven leading industrialised nations.

The G7 said in a statement that the dollar's upward rise over the past two years was now complete, and called for more market stability.

Elsewhere, trading was quiet after a hectic week the previous week, and the lack of major economic data releases or policy-making meetings contributed to a sense of calm in the market.

■ The first reactions to the G7 meeting statement came on the Asian markets, where selling of the dollar against the yen saw it slip as low as Y120.40, a drop of over four yen from the closing price on the London market on Friday. The dollar was also down two pfennings against the D-Mark on the Asian market, to a low of DM1.6350.

But yesterday in Europe the dollar bounced back, as traders reflected upon the fundamental strengths of the US economy.

Traders said the G7 comments may increase the risk to the market of extending the dollar's gains sharply, but the statement did nothing to alter the economic and interest rate arguments in favour of further dollar strength.

Some heavy buying of the dollar against the yen saw the exchange rate rise back to Y122.830, still a fall from Friday's Y124.655 but a recovery from the Asian doldrums. Against the D-Mark the dollar also gained, to DM1.6565, which was still DM1.57 below its level at the end of last week.

■ The G7 statement appeared to have little impact on sterling, although the pound did rise briefly against the dollar. Sterling closed at $1.6334, only one basis point away from a rise of a full cent from Friday.

Against the D-Mark, sterling shrank by almost a pfenning. It ended at DM2.7058, down by 0.9 pfennig. However, interest from US buyers was seen after the London close, and the pound regained much of the ground lost since Friday.

Sterling's trade-weighted index, which measures sterling against a basket of major currencies, was down 0.2 to close at 97.0.

Short sterling interest rate futures traded on Liffe saw the July contract slip by two ticks to 93.47, after weekend speculation that interest rates would rise after the UK general election.

■ The G7's attempt to talk down the dollar was perhaps most appreciated in Japan, which has grown increasingly worried about the dollar's climb against the yen.

The dollar has risen by around 55 per cent against the yen and 23 per cent against the D-Mark since mid-1995.

Since the beginning of this year alone it has climbed by as much as 7.6 per cent against the yen, and 8.9 per cent against the D-Mark.

Mr Eisnke Sakakibara, director-general of the Japanese Finance Ministry's International Finance Bureau, said in Tokyo yesterday that Monday's dollar rate of about 122.50 yen best reflected the G7's call for market stability.

One analyst in London said that while the market was not about to ignore the fundamental strength of the US economy, it would be several months before the G7's attempt to shift policy on the dollar could be judged as a success or not.

But in the short term the statement allowed the Japanese government to intervene publicly in the exchange markets, rather than covertly as it may have done in the weeks leading np to the G7 meeting.

■ In a sidelight to the G7 statement, Mr Avinash Persaud, currency analyst at J.P. Morgan in London, says that investors appetite for risk is currently low, far lower than the last two months when the dollar's rally took hold.

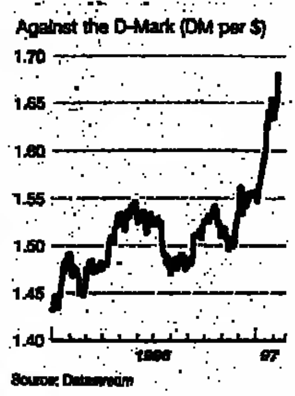
"As investors begin to unwind carry trades generally in this new world where policy makers are no longer goading the dollar higher, the dollar will suffer and the yen, Swiss franc and the D-Mark will benefit," said Mr Persaud. "A near term correction is due, whatever was said in Berlin."

■ Pound in New York

Feb 10	---Latest---	-- Prev. close --
£ spot	1.6350	1.6305
1 mth	1.6341	1.6297
3 mth	1.6290	1.6276
1 yr	1.6225	1.6180

Dollar

Against the D-Mark (DM per $)



Source: Datastream

■ OTHER CURRENCIES

Feb 10	£	$
Czech Rp	45.3342 - 45.3946	27.7630 - 27.7830
Hungary	279.879 - 280.132	171.400 - 171.450
Iran	4901.70 - 4898.70	3000.00 - 3000.00
Kuwait	0.4920 - 0.4939	0.3013 - 0.3023
Poland	4.8987 - 4.9082	3.0000 - 3.0040
Russia	9217.72 - 9226.63	5645.00 - 5647.00
U.A.E.	5.9936 - 6.0021	3.6705 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Feb 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.0402	-0.0637	280 - 523	19.1218	18.9739	18.9987	2.7	18.9402	2.1	-	-	103.8
Belgium	(BFr)	55.8297	-0.1631	799 - 794	56.0920	55.3310	55.7047	2.7	55.4397	2.8	54.2447	2.8	103.8
Denmark	(DKr)	10.3116	-0.0412	065 - 161	10.3305	10.2288	10.2916	2.3	10.2508	2.3	10.0716	2.3	106.0
Finland	(FM)	8.0174	-0.0236	108 - 239	8.0660	7.9610	-	-	-	-	-	-	84.2
France	(FFr)	9.1316	-0.0282	271 - 380	9.1395	9.0324	9.1109	2.7	9.0692	2.7	8.8645	2.9	106.7
Germany	(DM)	2.7058	-0.009	041 - 074	2.7080	2.6806	2.6993	2.9	2.686	2.9	2.6212	3.1	105.6
Greece	(Dr)	424.790	-0.992	538 - 043	425.051	420.331	-	-	-	-	-	-	66.6
Ireland	(I£)	1.0193	-0.0034	183 - 202	1.0254	1.0171	1.019	0.4	1.018	0.5	1.0115	0.6	103.1
Italy	(L)	2659.67	+2.36	771 - 162	2662.64	2628.67	2662.92	-1.5	2665.27	-0.8	2653.42	0.2	77.3
Luxembourg	(LFr)	55.8297	-0.1631	799 - 794	56.0920	55.3310	55.7047	2.7	55.4397	2.8	54.2447	2.8	103.9
Netherlands	(Fl)	3.0382	-0.0103	369 - 395	3.0462	3.0114	3.0304	3.1	3.0149	3.1	2.9414	3.2	103.7
Norway	(NKr)	10.7148	+0.0557	099 - 197	10.7199	10.5442	10.7023	1.4	10.6823	1.2	10.5773	1.3	103.8
Portugal	(Es)	271.667	-0.829	502 - 832	272.188	268.992	271.862	-0.8	272.232	-0.8	-	-	94.6
Spain	(Pta)	228.823	-0.741	688 - 958	229.845	226.838	228.823	0.0	228.603	0.4	226.208	1.1	78.2
Sweden	(SKr)	12.0067	-0.0516	989 - 165	12.1342	11.9487	11.9877	1.9	11.9432	2.1	11.7337	2.3	85.8
Switzerland	(SFr)	2.3325	-0.0064	310 - 340	2.3348	2.3087	2.3245	4.1	2.3093	4.0	2.2378	4.1	103.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	97.0
Ecu	-	1.3941	-0.0029	933 - 948	1.3952	1.3822	1.3921	1.7	1.3877	1.8	1.3682	2.0	-
SDR†	-	1.175851	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6332	+0.0105	326 - 337	1.6354	1.6275	-	-	-	-	-	-	-
Brazil	(R$)	1.7104	+0.0099	096 - 112	1.7131	1.7052	-	-	-	-	-	-	-
Canada	(C$)	2.2071	+0.0171	060 - 082	2.2124	2.2015	2.202	2.8	2.1911	2.8	2.1321	3.4	86.4
Mexico	(New Peso)	12.7398	+0.072	334 - 461	12.7738	12.7170	-	-	-	-	-	-	-
USA	($)	1.6334	+0.0099	329 - 339	1.6362	1.6283	1.6325	0.7	1.6305	0.7	1.621	0.8	102.7
Pacific/Middle East/Africa													
Australia	(A$)	2.1579	+0.0278	565 - 592	2.1602	2.1391	2.1592	-0.7	2.1599	-0.4	2.1595	-0.1	94.1
Hong Kong	(HK$)	12.6531	+0.0757	489 - 572	12.6752	12.6153	12.6458	0.7	12.6319	0.7	12.5673	0.7	-
India	(Rs)	58.5819	+0.3731	231 - 407	58.6900	58.4560	-	-	-	-	-	-	-
Israel	(Shk)	5.4264	+0.0156	198 - 329	5.4330	5.3980	-	-	-	-	-	-	-
Japan	(Y)	200.631	-1.74	520 - 741	201.130	198.180	199.701	5.6	197.848	5.6	189.431	5.6	122.1
Malaysia	(M$)	4.0615	+0.0131	594 - 635	4.0736	4.0537	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3882	+0.0107	866 - 898	2.3929	2.3748	2.3949	-3.4	2.4043	-2.7	2.4251	-1.5	113.5
Philippines	(Peso)	43.0401	+0.2703	943 - 859	43.0983	42.9611	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1261	+0.0373	239 - 283	6.1358	6.1094	-	-	-	-	-	-	-
Singapore	(S$)	2.3007	+0.0043	991 - 022	2.3076	2.2974	-	-	-	-	-	-	-
South Africa	(R)	7.1944	-0.0097	897 - 990	7.2614	7.1791	-	-	-	-	-	-	-
South Korea	(Won)	1417.38	+11.07	687 - 790	1421.37	1412.08	-	-	-	-	-	-	-
Taiwan	(T$)	44.8186	+0.2574	558 - 813	44.9828	44.8434	-	-	-	-	-	-	-
Thailand	(Bt)	42.3704	+0.1201	493 - 915	42.4300	42.2540	-	-	-	-	-	-	-

† Rates for Feb 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.6568	-0.1107	529 - 606	11.6630	11.6110	11.6421	1.5	11.5968	2.1	11.4016	2.2	108.6
Belgium	(BFr)	34.1800	-0.31	600 - 000	34.3700	33.9310	34.12	2.1	33.9925	2.2	33.4525	2.1	103.7
Denmark	(DKr)	6.3128	-0.064	116 - 139	6.3176	6.2734	6.3039	1.7	6.2855	1.7	6.2038	1.7	105.3
Finland	(FM)	4.9084	-0.0446	059 - 109	4.9351	4.8840	4.8996	2.2	4.8809	2.2	4.7984	2.2	83.6
France	(FFr)	5.5905	-0.0517	895 - 915	5.5947	5.5340	5.5821	1.8	5.5641	1.9	5.4885	1.8	106.1
Germany	(DM)	1.6565	-0.0157	560 - 570	1.6574	1.6400	1.6536	2.1	1.6477	2.1	1.6229	2.0	105.0
Greece	(Dr)	260.065	-2.205	990 - 140	260.500	257.720	261.62	-7.2	264.19	-6.3	275.215	-5.8	66.4
Ireland	(I£)	1.6025	+0.015	015 - 035	1.6060	1.5955	1.602	0.3	1.6017	0.2	1.5988	0.2	-
Italy	(L)	1628.30	-8.53	760 - 900	1629.80	1612.39	1631.03	-2.0	1634.19	-1.4	1635.08	-0.4	77.2
Luxembourg	(LFr)	34.1800	-0.31	600 - 000	34.3700	33.9310	34.12	2.1	33.9925	2.2	33.4525	2.1	103.7
Netherlands	(Fl)	1.8601	-0.0177	598 - 603	1.8655	1.8464	1.8563	2.5	1.8483	2.5	1.8128	2.5	103.4
Norway	(NKr)	6.5598	-0.0059	588 - 608	6.5647	6.4660	6.556	0.7	6.5504	0.6	6.5248	0.5	104.1
Portugal	(Es)	166.320	-1.53	270 - 370	166.700	164.470	166.525	-1.5	166.82	-1.2	167.595	-0.8	95.1
Spain	(Pta)	140.090	-1.315	050 - 130	140.140	139.130	140.188	-0.8	140.2	-0.3	139.42	0.5	78.0
Sweden	(SKr)	7.3508	-0.077	470 - 545	7.3610	7.3158	7.3479	0.5	7.3381	0.7	7.2908	0.8	85.4
Switzerland	(SFr)	1.4280	-0.0139	275 - 285	1.4301	1.4155	1.4242	3.2	1.4163	3.3	1.3835	3.1	102.9
UK	(£)	1.6334	+0.0099	329 - 339	1.6362	1.6283	1.6325	0.7	1.6305	0.7	1.621	0.8	97.1
Ecu	-	1.1717	+0.0095	714 - 720	1.1804	1.1710	1.173	-1.4	1.1762	-1.5	1.1927	-1.8	-
SDR†	-	0.721912	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0004	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0472	-0.0003	470 - 473	1.0475	1.0469	-	-	-	-	-	-	-
Canada	(C$)	1.3513	+0.0023	510 - 515	1.3530	1.3508	1.3489	2.1	1.3439	2.2	1.3164	2.6	86.6
Mexico	(New Peso)	7.7995	-0.0035	980 - 010	7.8020	7.7970	7.9175	-18.2	8.184	-19.7	9.0445	-16.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	104.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3211	+0.009	207 - 215	1.3220	1.3203	1.3226	-1.4	1.3245	-1.0	1.33	-0.7	97.1
Hong Kong	(HK$)	7.7465	-0.0008	463 - 466	7.7490	7.7460	7.7464	0.0	7.747	0.0	7.758	-0.1	-
India	(Rs)	35.8850	+0.01	400 - 900	35.8910	35.8350	36.08	-7.2	36.54	-7.5	-	-	-
Israel	(Shk)	3.3221	-0.0108	191 - 251	3.3255	3.3081	-	-	-	-	-	-	-
Japan	(Y)	122.830	-1.825	800 - 860	123.300	121.100	122.355	4.6	121.35	4.8	117.15	4.8	121.5
Malaysia	(M$)	2.4865	-0.0072	860 - 870	2.4890	2.4848	2.4893	-1.4	2.4947	-1.3	2.518	-1.2	-
New Zealand	(NZ$)	1.4621	-0.0024	616 - 626	1.4627	1.4615	1.4676	-4.5	1.4718	-2.7	1.5034	-2.8	-
Philippines	(Peso)	26.3500	+0.005	300 - 700	26.3700	26.3300	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7508	3.7502	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4085	-0.006	080 - 090	1.4105	1.4060	1.4063	1.8	1.4018	1.9	1.3806	2.0	-
South Africa	(R)	4.4045	-0.033	030 - 060	4.4400	4.4015	4.4452	-11.1	4.5202	-10.5	4.835	-9.8	-
South Korea	(Won)	867.750	+1.5	700 - 800	868.800	867.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	-0.01	700 - 300	27.5400	27.4600	27.5001	0.0	27.5003	0.0	-	-	-
Thailand	(Bt)	25.9400	-0.085	350 - 450	25.9460	25.9290	26.03	-4.2	26.1975	-4.0	26.835	-3.5	-

† SDR rate per $ for Feb 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 7: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

February 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅜	3¼	3¼	3⅜	3½	6.00	2.50	-
France	3¼	3¼	3¼	3¼	3½	3.10	-	4.75
Germany	3⅛	3¼	3¼	3¼	3⅜	4.50	2.50	3.00
Ireland	5⅝	5⅝	5¾	5¾	5⅞	-	-	6.25
Italy	7½	7¼	7⅛	6⅞	6⅝	8.25	6.75	7.35
Netherlands	2⅞	2⅞	2⅞	3	3⅛	-	3.00	3.30
Switzerland	1⅝	1⅝	1⅝	1⅝	1⅞	-	1.00	-
US	5⅛	5⅜	5⅜	5⅜	5¾	-	5.00	-
Japan	½	½	½	½	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5½	5⅝	5⅞	-	-	-
US Dollar CDs	-	5.15	5.16	5.23	5.38	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4	4	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅜	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/16 - 2 7/8	3⅛ - 3 1/32	3⅛ - 3	3⅛ - 3	3⅛ - 3 1/32	3 3/16 - 3 3/32
Danish Krone	3 11/16 - 3½	3⅝ - 3 15/32	3⅝ - 3½	3⅝ - 3½	3 11/16 - 3½	3¾ - 3 9/16
German Mark	3¼ - 3	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3⅛ - 3 1/32	3⅛ - 3 1/32	3 7/32 - 3⅛
Dutch Guilder	2 15/16 - 2 13/16	2 31/32 - 2 27/32	2 31/32 - 2 27/32	3 1/32 - 2 29/32	3 1/16 - 2 15/16	3 5/16 - 3 3/16
French Franc	3¼ - 3⅛	3 5/16 - 3 7/32	3 3/8 - 3 7/32	3 3/8 - 3 7/32	3 3/8 - 3 3/16	3⅜ - 3 7/32
Portuguese Esc.	6 5/16 - 6 3/16	6 13/32 - 6 11/32	6 3/8 - 6 7/32	6⅛ - 6 1/16	5 15/16 - 5 13/16	5 11/16 - 5⅝
Spanish Peseta	6 3/32 - 6	6 3/32 - 5 31/32	6 3/32 - 5 31/32	5 31/32 - 5 27/32	5 29/32 - 5 25/32	5 13/16 - 5 11/16
Sterling	6 - 5 13/16	6 1/16 - 6	6 3/16 - 6 1/16	6 7/32 - 6 3/32	6⅜ - 6 1/16	6 21/32 - 6 17/32
Swiss Franc	1¾ - 1¼	1 19/32 - 1 15/32	1 11/16 - 1 19/32	1 23/32 - 1⅝	1 23/32 - 1⅝	1 13/16 - 1 11/16
Canadian Dollar	3⅛ - 2⅞	3 1/16 - 2 15/16	3 1/16 - 2 15/16	3 5/16 - 3 3/16	3¼ - 3⅛	3 17/32 - 3 7/16
US Dollar	5¼ - 5⅛	5 11/32 - 5¼	5 7/16 - 5 5/16	5 13/32 - 5¼	5⅝ - 5½	5 13/16 - 5⅝
Italian Lira	6 - 7⅛	7½ - 7 13/32	7½ - 7 13/32	7 3/32 - 7 1/16	6 15/16 - 6⅞	6 21/32 - 6 9/16
Japanese Yen	½ - 15/32	15/32 - 11/32	7/16 - 11/32	7/16 - 11/32	7/16 - 11/32	15/32 - ⅜
Asian $Sing	⅝ - ½	1¾ - 1⅝	2⅛ - 2	2½ - 2⅜	2¾ - 2⅝	3⅛ - 3

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.70	96.71	-	96.72	96.70	5,160	67,609
Jun	96.75	96.75	+0.01	96.75	96.73	5,718	50,806
Sep	96.72	96.72	+0.01	96.73	96.71	3,160	36,376

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.88	96.89	-	96.89	96.88	6759	206209
Jun	96.87	96.89	+0.01	96.89	96.87	8677	171615
Sep	96.81	96.82	+0.01	96.82	96.80	10543	148686
Dec	96.64	96.66	+0.01	96.67	96.63	9356	163869

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Feb	-	96.87	-	-	-	0	12542
Mar	96.88	96.88	-	96.88	96.88	566	15281
Apr	96.90	96.90	-	96.90	96.90	167	1074
May	-	96.90	-	-	-	0	3612

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.05	93.02	-0.05	93.06	93.00	10646	95654
Jun	93.67	93.61	-0.06	93.68	93.59	6163	76404
Sep	94.02	93.96	-0.05	94.02	93.94	3009	45772
Dec	94.17	94.15	-0.04	94.21	94.16	3967	34508

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.20	98.28	+0.08	98.29	98.20	6358	32137
Jun	98.16	98.28	+0.10	98.30	98.16	9770	27516
Sep	98.09	98.16	+0.11	98.21	98.09	2823	11887
Dec	97.92	97.99	+0.12	98.00	97.92	1228	7007

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	99.46	-0.01	-	-	0	n/a
Jun	-	99.43	-0.02	-	-	0	n/a
Sep	-	99.37	-0.01	-	-	0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.97	95.97	-	95.97	95.96	457	10339
Jun	96.04	96.04	-	96.05	96.03	345	8033
Sep	96.04	96.04	-	96.04	96.04	33	4062
Dec	95.97	95.97	-	95.97	95.97	27	4758

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9300	0.13	0.70	1.07	0.11	0.09	0.11
9325	0.04	0.50	0.87	0.27	0.14	0.16
9350	0.01	0.34	0.88	0.48	0.23	0.22

Est. vol. total, Calls 2634 Puts 1861. Previous day's open int., Calls 120626 Puts 75259

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.47	16.36	4.847	1.825	4764	5.442	19.18	486.7	408.8	21.51	4.179	1.791	3.953	2.925	359.3	2.487
Denmark	(DKr)	54.15	10	8.857	2.625	0.988	2580	2.947	10.39	263.5	221.9	11.65	2.263	0.970	2.141	1.584	194.8	1.352
France	(FFr)	61.14	11.29	10	2.963	1.116	2913	3.327	11.73	297.5	250.5	13.15	2.555	1.095	2.417	1.788	219.7	1.527
Germany	(DM)	20.63	3.810	3.375	1	0.377	983.0	1.123	3.958	100.4	84.55	4.438	0.862	0.370	0.816	0.603	74.13	0.515
Ireland	(I£)	54.78	10.12	8.962	2.656	1	2610	2.981	10.51	266.6	224.5	11.78	2.289	0.981	2.166	1.603	196.9	1.368
Italy	(L)	2.099	0.388	0.343	0.102	0.038	100.	0.114	0.403	10.21	8.602	0.452	0.088	0.038	0.083	0.061	7.541	0.052
Netherlands	(Fl)	18.38	3.394	3.006	0.891	0.335	875.6	1	3.525	89.43	75.31	3.953	0.768	0.329	0.726	0.538	66.03	0.459
Norway	(NKr)	52.13	9.627	8.527	2.527	0.951	2484	2.837	10	253.7	213.8	11.21	2.178	0.934	2.061	1.525	187.3	1.302
Portugal	(Es)	20.55	3.795	3.361	0.996	0.375	979.0	1.116	3.942	100.	84.21	4.420	0.859	0.368	0.812	0.601	73.83	0.513
Spain	(Pta)	24.40	4.506	3.991	1.183	0.445	1163	1.328	4.681	118.8	100.	5.249	1.020	0.437	0.965	0.714	87.67	0.609
Sweden	(SKr)	46.46	8.585	7.604	2.253	0.848	2215	2.530	8.916	226.2	190.5	10	1.943	0.833	1.838	1.360	167.0	1.161
Switzerland	(SFr)	23.93	4.419	3.914	1.160	0.437	1140	1.302	4.591	116.5	98.07	5.148	1	0.429	0.946	0.700	85.98	0.598
UK	(£)	55.83	10.31	9.132	2.706	1.019	2660	3.038	10.71	271.7	228.8	12.01	2.333	1	2.207	1.633	200.6	1.394
Canada	(C$)	25.30	4.671	4.138	1.226	0.462	1205	1.377	4.853	123.1	103.7	5.442	1.057	0.453	1	0.740	90.89	0.632
US	($)	34.18	6.314	5.592	1.657	0.624	1629	1.860	6.558	166.4	140.1	7.355	1.429	0.612	1.352	1	122.8	0.854
Japan	(Y)	27.83	5.140	4.552	1.349	0.508	1326	1.514	5.339	135.4	114.1	5.987	1.163	0.499	1.100	0.814	100.	0.695
Ecu		40.05	7.396	6.551	1.941	0.731	1908	2.179	7.683	194.8	164.1	8.615	1.674	0.717	1.583	1.171	143.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6076	0.6051	+0.0007	0.6095	0.6051	56,416	86,283
Jun	0.6100	0.6086	+0.0015	0.6102	0.6080	627	5,667
Sep	0.6130	0.6131	+0.0012	0.6132	0.6130	11	2,311

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7068	0.7041	+0.0020	0.7080	0.7021	32,998	49,394
Jun	0.7110	0.7110	+0.0024	0.7140	0.7110	375	2,732
Sep	0.7177	0.7175	+0.0021	0.7177	0.7177	1	1,921

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8215	0.8186	+0.0013	0.8221	0.8147	43,126	85,436
Jun	0.8320	0.8294	+0.0015	0.8321	0.8289	745	3,279
Sep	-	0.8410	+0.0021	0.8429	-	17	661

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6310	1.6302	+0.0002	1.6350	1.6270	11,941	34,677
Jun	1.6256	1.6270	-0.0004	1.6300	1.6256	37	2,326
Sep	-	1.6250	+0.0012	1.6260	-	10	1,060

UK INTEREST RATES

LONDON MONEY RATES

Feb 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 3/32 - 2	6⅛ - 5⅞	6 3/16 - 6 1/16	6 5/16 - 6 3/16	6 7/16 - 6 5/16	6¾ - 6⅝
Sterling CDs	-	-	6⅛ - 6 1/16	6 3/16 - 6 3/16	6 5/16 - 6¼	6 9/16 - 6½
Treasury Bills	-	-	5 15/16 - 5 27/32	5 15/16 - 5 27/32	-	-
Bank Bills	-	-	5 15/16 - 5⅞	6 1/32 - 5 31/32	6 5/32 - 6 3/32	-
Local authority deps.	6 1/16 - 5 15/16	6 3/16 - 6 1/16	6¼ - 6⅛	6¼ - 6⅛	6⅜ - 6 5/16	6 11/16 - 6 9/16
Discount Market deps	6¼ - 5½	6 1/16 - 5 15/16	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Feb 7, 5.8746pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1997. Agreed rate for period Feb 26, 1997 to Mar 26, 1997, Scheme III 7.68pc. Reference rate for period Jan 1, 1997 to Jan 31, 1997, Schemes IV & V 6.409pc. Finance House Base Rate 6½pc from Feb 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.70	93.70	-0.02	93.73	93.69	11365	103476
Jun	93.49	93.47	-0.04	93.54	93.46	19440	112842
Sep	93.28	93.28	-0.04	93.35	93.27	21851	74781
Dec	93.13	93.13	-0.03	93.19	93.11	9492	52474
Mar	93.00	93.02	-0.03	93.07	93.00	2727	38358

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9350	0.22	0.15	0.16	0.02	0.16	0.38
9375	0.04	0.06	0.08	0.09	0.34	0.55
9400	0	0.02	0.03	0.30	0.55	0.75

Est. vol. total, Calls 10415 Puts 7584. Previous day's open int., Calls 194342 Puts 164072

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

● Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Feb 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.78571	-0.00651	-1.17	3.20	6
Portugal	197.396	196.057	+0.008	-0.68	2.69	5
Ireland	0.796709	0.736272	+0.001373	-7.82	10.64	53
Italy	1906.48	1917.24	-1.14	0.56	1.42	-4
Spain	163.826	185.156	-0.155	0.81	1.17	-6
Netherlands	2.16979	2.19174	-0.00181	1.01	0.97	-8
Denmark	7.34555	7.43751	-0.01298	1.25	0.73	-9
Germany	1.92573	1.95137	-0.00126	1.33	0.65	-13
Austria	13.5485	13.7322	-0.0089	1.36	0.63	-10
Belgium	39.7161	40.2600	-0.027	1.36	0.62	-10
France	6.45863	6.58714	-0.00314	1.99	0.00	-17
NON ERM MEMBERS						
Greece	295.269	306.464	+0.094	3.79	-1.74	-
UK	0.793103	0.722648	+0.003124	-8.88	11.93	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
1.610	2.41	3.26	3.85	0.38	1.37	2.03
1.620	1.69	2.75	3.27	0.67	1.78	2.46
1.630	1.10	2.27	2.78	1.01	2.22	2.89

Previous day's vol., Calls 217 Puts 9. Prev. day's open int., Calls 32,603 Puts 50,180

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
0.595	1.02	1.40	-	0.03	0.41	0.59
0.600	0.66	1.06	1.38	0.23	0.59	0.79
0.605	0.39	0.81	1.11	0.46	0.81	1.02

Previous day's vol., Calls 1,312 Puts 5,168. Prev. day's open int., Calls 37,824 Puts 22,777

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.45	94.47	+0.06	94.47	94.45	76,571	399,463
Jun	94.35	94.36	+0.04	94.38	94.34	146,824	382,501
Sep	94.23	94.22	+0.07	94.23	94.21	132,678	281,578

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.99	95.00	+0.01	95.00	94.99	386	4,884
Jun	94.90	94.90	-	94.90	94.89	173	3,415
Sep	-	94.75	-0.02	-	-	39	947

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	Mar	Apr	Jun	PUTS Feb	Mar	Apr	Jun
9675	0.15	0.19	0.17	0.18	0.01	0.02	0.03	0.04
9700	0.01	0.02	0.03	0.05	0.12	0.13	0.14	0.16
9725	0	0	0	0.01	0.36	0.36	0.36	0.37

Est. vol. total, Calls 19764 Puts 11790. Previous day's open int., Calls 465068 Puts 303553

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9850	0.03	0.10	0.15	0.25	0.32	0.46
9875	0	0.04	0.07	0.47	0.51	0.63

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 5450 Puts 2895

COMMODITIES AND AGRICULTURE

Crude oil prices show further fall

MARKETS REPORT

By Robert Corzine and Peter John

Crude oil prices eased further yesterday after last week's sell-off. The price of Brent Blend for March delivery, the global benchmark, was down about 25 cents in late London trading to $20.70 a barrel. Last Friday was the first time Brent had closed below $21 a barrel since a sustained oil price rally began last August.

Mr Gary Ross, at the Pira industry consultancy in New York, said the winter could still hold some surprises for the market. However, it was clear that this month's inventory situation in the world's main energy markets would be markedly different from last year, when a 73m barrel draw-down of stocks in the US, Japan and Europe helped set up a price surge.

"We are looking at months and months of stockbuilding," Mr Ross said yesterday, "and that is bad for prices."

On the London Metal Exchange, copper prices appeared to find a level following Friday's heavy profit-taking but trading was light as dealers headed for New York to take part in tonight's annual Copper Club dinner for a series of presentations and general networking.

The price fell at midday as heavy position-taking by US funds continued to depress prices. It was lower ahead of today's LME warehouse stocks report, which is expected to show another sharp increase in copper stockpiles. By the close, however, the three-month contract was quoted at $2,232 a tonne, down on Friday's official close but unchanged on the late quote.

Dealers said supplies remained tight, but expectations of a further rise in stocks and reports of increasing production in Chile and Peru damped sentiment.

Aluminium also slipped, in spite of the release of data showing stocks at western smelters rose less than predicted over the month. The figures exclude finished end-products. In addition, the pick-up in demand prompted by global economic recovery has meant stocks held by producers actually fell by some 428,000 tonnes from their peak in January 1996.

Some stock is still in LME warehouses, but one analyst said the overall official draw-down throughout the year was 125,000 tonnes. Aluminium fell $18 to $1,585.

Cocoa traded lower as the strength of the pound deterred overseas buyers of the sterling-based contract. Some dealers said even UK chocolate producers were staying away in the hope of cheaper prices to come.

The cocoa contract quoted on Liffe eased £5 to £882 a tonne. At that level it is hovering around a three-year low.

Jump in EU grain stocks

By Alison Maitland

The European Union's intervention stocks of grain are likely to increase substantially this year, according to cereals experts.

The Home-Grown Cereals Authority, a UK industry-funded research and promotional body, said EU stocks could rise from 2.8m to 10m tonnes or more.

A report by Cambridge University said the EU had a larger export surplus after domestic requirements than in recent years, following last year's third biggest UK cereal harvest ever and good crops in other EU states.

Good harvests elsewhere in the world has forced global prices below those in the EU and this will pull EU prices down to intervention levels – which provide a floor in the market.

"Exports will require subsidies and intervention stocks of wheat and barley are likely to grow substantially if EU exports do not increase this year," said the report on the economics of wheat and barley production in the UK by the university's department of land economy.

It added that the size of increased demand from Asia is uncertain, partly because of the logistics of delivery and the infrastructure of countries such as China. "The outcome may be less favourable than expected."

The Home-Grown Cereals Authority said EU grain exports were relatively high in the first half of this season. The European Commission operated a "fairly aggressive" wheat export policy, granting large export refunds at the weekly EU grain tender. The refunds undercut US wheat prices, in spite of threats from the US, because EU wheat had to compete with low-priced supplies from a record crop in Argentina, it said.

"However, with a large proportion of world needs covered, and record Australian supplies entering the market, EU wheat exports are likely to be constrained in the remainder of the season," it said.

Intervention sales are likely in France and Germany, reducing prices. A lot of barley is also likely to go into stocks. "The final level will largely be determined by the success of the export campaign during the remainder of the season," the authority said. "The EU export programme will have to progress well to avoid significant intervention stocks at the end of 1996-97."

IPE optimistic on gas futures

By Robert Corzine in London

The International Petroleum Exchange in London yesterday said that it expected the UK's main gas trading companies to be active in its new natural gas futures market by the end of the month.

Mr Richard Ward, head of business development at the IPE, acknowledged that volumes in the first week of trading last week had been relatively low, with an average of 213 trades a day.

But he said the level of trading was sufficient to serve as a "price discovery" mechanism for the gas industry. He said that he expected between 20 and 25 gas trading companies to become active.

IPE officials have also been encouraged by the spread of activity, with trades in each of the 12 months available.

Europe's first natural gas futures contract is based on the delivery of gas at the "national balancing point", a notional location at which British Gas's Transco pipeline monopoly carries out the daily balancing of supply and demand for the country's gas market.

Reuter

IPE hopes to create benchmark gas futures contract

The rules governing the phased liberalisation of the UK gas market require companies using the Transco system to match the amount of gas they put into the pipeline each day with that used by their customers. The architects of the industry's liberalisation hope that the formal IPE market will help participants to balance their gas needs.

Mr Ward said the current level of trading was the equivalent of 6m therms, or about 10 per cent of the country's consumption. Volumes on the informal over-the-counter market are higher. But Mr Ward said he was optimistic that volumes on the IPE would grow as more companies entered the market. Trading volumes should be the "thousands of lots per day by the end of the year," he said.

Those gas companies that are using the market are thought to include the Accord gas trading subsidiary of British Gas, as well as the UK gas division of British Petroleum.

The IPE is still processing applications from a number of other companies, but the "core participants" in the UK gas industry should all be active by the end of the month, Mr Ward said.

System reliability is said to have improved over the past week after several glitches interrupted trading for 20 minutes and five minutes on the first and second days of trading, respectively.

Some trading procedures have also been tightened after one trader made a "blatant error" which briefly distorted the market.

The IPE hopes the natural gas contract will evolve into a European price benchmark, in the same way that its Brent oil futures contract serves as a price marker for the international petroleum industry.

COMMODITIES DIGEST

Russia, De Beers to continue talks

Russia and De Beers are to continue negotiations this week to re-establish a historic trading relationship that broke down at the beginning of the year. Mr Alexander Livshits, the Russian minister of finance, said discussions over the weekend had yielded "a compromise" acceptable to both sides.

Talks at the level of informal working groups are scheduled to continue this week. The minister's upbeat comments, and the positive atmosphere surrounding the negotiations in Moscow, sent De Beers shares higher in Johannesburg, amid speculation that a new deal could be reached in the near future.

De Beers unilaterally stopped purchasing Russian diamonds on January 1 after Moscow failed to ratify an agreement with the company which had been negotiated in early 1996. The deal became caught up in political infighting in Russia, meeting particular resistance from Russian diamond cutters who wanted the best quality gems to be processed domestically.

However, sentiment in Russia appears to mounting in favour of signing a new deal with De Beers. One of the strongest incentives is the reluctance of western banks to extend needed credits to Russian diamond producers without the security of a contract with De Beers.

Chrystia Freeland, Moscow

New setting, Page 17

Woodside Petroleum licence

Woodside Petroleum, the Australian oil and gas company which operates the North West Shelf project, has received federal government approval for its A$1bn (US$762m) Laminaria/Corallina project, which should allow two oil fields in the Timor Sea to come on stream by early 1999.

Announcing that a production licence had been issued, Senator Warwick Parer, federal resource minister, said the government was hopeful it would encourage further exploration. "Compared with most other provinces around the world, Australia is grossly unexplored in regards to oil, and this sort of thing will be a great impetus to that exploration," he said.

The fields lie to the north-west of Darwin, and will be the first development in this area of the Timor Sea. The project will involve the fabrication and installation of the world's biggest floating, production, storage and offloading facility, with production and storage capacity of 170,000 barrels and 1.4m barrels respectively.

The fields themselves are estimated to have combined recoverable reserves of 130m–250m barrels. Peak production is expected to be about 140,000 barrels a day. Woodside has a 50 per cent interest in the project, with Shell and BHP, the Australian resources group, each holding 25 per cent.

Nikki Tait, Sydney

Indian copper group in plea

Hindustan Copper, the Indian state-owned metals company, has sought an increase in metal import duties to overcome a cash crunch. HCL has urged the government to raise import duties on copper products to offset losses due to high production costs and a steep fall in London Metal Exchange prices. The company links its prices with those on the LME.

Reuter, New Delhi

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1555-6	1567-8
Previous	1587.5-88.5	1617-18
High/low		1608/1584
AM Official	1565.5-6.5	1587-7.5
Kerb close		1584-5
Open int.	251,352	
Total daily turnover	65,318	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1470-80	1497-500
Previous	1510-15	1530-35
High/low		1515/1495
AM Official	1477-82	1500-1
Kerb close		1490-95
Open int.	5,425	
Total daily turnover	1,883	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	649-50	659-60
Previous	670-71	679-80
High/low		675/649
AM Official	639-40	650-1
Kerb close		656-8
Open int.	36,439	
Total daily turnover	10,982	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7700-10	7790-800
Previous	7775-85	7870-80
High/low	7625	7840/7680
AM Official	7625-6	7720-25
Kerb close		7820-25
Open int.	52,466	
Total daily turnover	14,340	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5820-30	5890-900
Previous	5835-45	5900-10
High/low		5920/5855
AM Official	5805-15	5875-80
Kerb close		5910-20
Open int.	15,300	
Total daily turnover	5,354	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1156.5-8.5	1176-8
Previous	1170.5-71.5	1189.5-90.0
High/low	1148	1180/1166
AM Official	1147.5-8.0	1169.5-70.0
Kerb close		1173-5
Open int.	88,037	
Total daily turnover	16,812	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2407-12	2229-30
Previous	2470-75	2250-51
High/low		2240/2222
AM Official	2415-20	2231-2
Kerb close		2232-3
Open int.	147,876	
Total daily turnover	38,818	

■ LME AM Official £/$ rate: 1.6327
LME Closing £/$ rate: 1.6334

Spot: 1.6388 3 mths: 1.6359 6 mths: 1.6327 9 mths: 1.6295

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	108.50	-0.20	109.00	107.50	493	2,019
Mar	107.15	-	107.90	106.15	9,101	24,696
Apr	105.00	-	105.00	104.50	109	1,488
May	103.30	+0.15	103.60	102.30	1,465	7,709
Jun	102.30	+0.15	103.70	102.10	90	854
Jul	101.50	+0.05	101.90	101.00	83	4,683
Total					11,468	53,859

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	341.00-341.40		
Opening	341.50-341.80		
Morning fix	341.00	208.435	484.220
Afternoon fix	340.40	208.630	485.649
Day's High	341.50-341.80		
Day's Low	340.40-340.70		
Previous close	341.10-340.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.24 6 months 3.96

2 months ....3.64 12 months 3.96

3 months 3.79

Silver Fix	p/troy oz.	US cts equiv.
Spot	300.95	491.75
3 months	305.05	497.50
6 months	309.35	503.60
1 year	318.15	515.95

Gold Coins	$ price	£ equiv.
Krugerrand	340-342	207-209
Maple Leaf	-	
New Sovereign	350-353	213-215

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	342.5	-0.8	343.0	342.3	103	4,477
Apr	343.1	-0.9	345.1	342.4	43,083	99,576
Jun	345.3	-0.9	346.8	344.7	4,324	23,894
Aug	347.7	-0.9	348.2	347.5	759	9,560
Oct	350.2	-0.9	350.7	349.7	118	3,504
Dec	352.7	-0.9	353.1	352.0	266	18,730
Total					48,830	186,827

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	359.5	+3.6	364.6	355.0	2,791	20,325
Jul	361.5	+3.8	362.0	358.5	27	3,331
Oct	363.6	+3.7	364.0	360.0	165	2,265
Jan	365.9	+3.7	362.0	362.0	2	1,111
Total					2,983	27,032

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	138.80	+3.45	139.00	136.70	2,336	8,199
Jun	139.80	+3.45	140.00	137.50	897	2,915
Sep	140.85	+3.45	-	-	42	390
Dec	141.50	+3.25	143.00	143.00	-	19
Total					3,275	11,523

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	494.7	+1.9	491.0	491.0	16	-
Mar	496.0	+1.8	497.8	490.5	24,861	56,145
May	500.6	+1.8	501.5	495.5	781	14,262
Jul	505.2	+1.9	506.0	501.0	358	9,064
Sep	509.8	+1.9	509.5	506.5	19	3,016
Dec	516.8	+1.9	517.0	512.0	60	5,156
Total					26,180	92,058

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	21.91	-0.32	22.45	21.65	68,652	69,903
Apr	21.70	-0.37	22.23	21.45	33,466	55,027
May	21.45	-0.35	21.92	21.30	13,129	32,868
Jun	21.15	-0.38	21.62	21.07	8,695	34,225
Jul	20.97	-0.32	21.38	20.90	3,142	16,776
Aug	20.74	-0.33	21.12	20.64	1,367	15,200
Total					141,089	373,750

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	20.68	-0.27	21.23	20.55	15,895	33,828
Apr	20.30	-0.34	20.83	20.18	16,179	53,489
May	19.96	-0.40	20.50	19.90	4,885	19,440
Jun	19.80	-0.30	20.23	19.70	2,834	17,374
Jul	19.55	-0.31	19.95	19.55	533	12,428
Aug	19.75	+0.10	19.75	18.74	104	3,703
Total						

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	90.30	-0.23	61.40	59.55	18,716	38,307
Apr	58.40	-0.67	59.50	57.80	9,509	19,364
May	57.05	-0.87	58.00	56.80	2,262	8,109
Jun	56.20	-0.57	57.10	56.00	1,603	6,966
Jul	56.10	-0.27	56.65	56.60	1,637	4,256
Aug	56.15	-0.52	56.90	56.15	349	3,503
Total					35,825	98,218

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	188.25	-2.00	190.50	186.25	7,566	15,342
Mar	181.25	-4.00	184.50	178.00	10,509	18,391
Apr	178.25	-4.75	181.50	176.75	2,862	8,607
May	176.50	-4.75	180.00	176.75	854	4,125
Jun	176.50	-5.00	179.50	176.00	1,013	8,288
Jul	176.75	-4.50	179.25	176.00	716	2,603
Total					24,179	88,354

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	2.165	-0.017	2.260	2.150	19,507	31,969
Apr	2.095	+0.003	2.150	2.080	7,804	19,719
May	2.065	+0.015	2.080	2.050	1,875	14,654
Jun	2.045	-0.005	2.075	2.045	969	9,583
Jul	2.055	-	2.070	2.045	687	9,054
Aug	2.050	-0.010	2.070	2.050	568	7,677
Total					34,195	159,536

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	62.00	-1.05	63.65	61.40	19,936	30,891
Apr	64.30	-0.88	65.65	63.80	9,390	18,483
May	64.25	-0.78	65.90	63.70	3,814	12,065
Jun	63.50	-0.60	64.65	63.10	1,307	7,865
Jul	62.40	-0.20	63.20	61.80	529	4,516
Aug	60.80	-0.20	61.20	60.80	277	4,049
Total					35,441	79,734

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	92.70	+0.50	92.75	92.75	33	1,186
May	95.00	+0.50	95.25	94.75	179	3,275
Jul	97.00	+0.50	97.25	97.00	35	590
Sep	91.50	+0.25	-	-	-	17
Nov	93.50	+0.25	93.75	93.75	15	1,564
Jan	95.50	+0.25	-	-	-	182
Total					262	6,839

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	352.50	-3.50	360.50	352.00	7,500	36,066
May	350.50	-1.25	354.00	348.00	3,359	12,711
Jul	339.50	+0.50	342.00	338.00	3,718	26,011
Sep	343.25	+2.25	345.00	342.00	164	2,148
Dec	353.00	+1.75	355.00	351.50	153	1,990
Mar	354.00	+3.00	351.00	351.00	3	28
Total					14,907	69,134

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	272.00	+1.00	272.25	270.75	21,809	111,036
May	271.00	+1.25	271.25	269.50	10,503	80,082
Jul	268.25	+0.75	269.50	267.75	5,099	70,112
Sep	265.75	+0.75	265.75	265.00	577	10,326
Dec	267.25	-	269.00	266.25	2,466	45,881
Mar	272.50	-0.50	272.75	271.50	51	3,187
Total					40,627	323,729

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	93.00	+0.25	-	-	-	254
May	93.75	+0.25	-	-	-	142
Sep	91.00	+0.25	-	-	-	28
Nov	93.00	+0.25	-	-	-	283
Jan	95.00	+0.25	-	-	-	22
Total						729

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	740.00	+2.00	740.50	734.75	25,460	67,239
May	738.50	+2.00	739.50	733.75	10,183	39,886
Jul	739.00	+2.50	739.75	734.50	4,317	35,505
Aug	736.00	+2.00	736.00	732.00	716	5,568
Sep	711.50	+4.00	711.50	709.00	344	1,842
Nov	691.25	+4.50	691.50	686.00	2,430	17,757
Total					43,467	168,731

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	23.87	-0.06	23.90	23.75	4,764	37,677
May	24.23	-0.07	24.39	24.14	1,854	22,214
Jul	24.62	-0.06	24.69	24.51	1,067	15,687
Aug	24.75	-0.08	24.70	24.70	38	3,223
Sep	24.86	-0.12	24.95	24.85	56	2,590
Oct	25.01	-0.11	25.03	25.03	36	647
Total					8,283	47,838

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	236.7	+1.4	236.9	234.7	7,174	32,545
May	231.3	+1.1	231.8	229.5	3,186	23,931
Jul	229.6	+0.9	229.6	228.0	1,840	30,651
Aug	227.0	+1.0	227.0	225.8	197	3,802
Sep	223.0	+1.5	222.5	221.5	64	2,944
Oct	214.7	+1.7	215.0	213.5	17	1,079
Total					12,885	87,880

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	53.0	-	-	-	-	-
Apr	58.0	+1.0	58.0	58.0	27	1,113
May	64.5	+2.0	-	-	-	136
Jun	73.0	-	-	-	-	-
Nov	65.0	-	-	-	-	2
Apr	114.0	-1.0	114.0	114.0	2	604
Total					29	1,855

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	1500	+10	1500	1495	53	399
Mar	1559	+14	1557	1545	72	548
Apr	1564	+11	1565	1555	140	1,067
Jul	1304	+14	1304	1300	33	589
Oct	1430	+10	1430	1430	19	198
Jan	1430	+10	1420	1420	5	50
Total					303	2,851

	Close	Prev
BFI	1425	1415

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	859	-6	862	854	1,444	27,382
May	882	-5	883	876	3,137	27,590
Jul	901	-7	903	896	548	11,545
Sep	921	-4	922	916	248	14,307
Dec	937	-7	940	936	1,141	11,265
Mar	957	-9	962	954	352	18,566
Total					7,291	129,352

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1267	-2	1276	1260	5,926	13,257
May	1303	+2	1310	1281	5,527	29,076
Jul	1335	+8	1337	1323	523	16,290
Sep	1360	+3	1368	1352	233	8,448
Dec	1384	+2	1388	1384	28	5,187
Mar	1411	+3	-	-	113	12,529
Total					12,237	80,292

■ COCOA (ICCO) (SDR's/tonne)

Feb 7	Price	Prev. day
Daily	888.21	876.58

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1588	+48	1585	1540	1,383	15,125
May	1600	+55	1600	1545	2,589	20,027
Jul	1615	+55	1612	1565	760	7,881
Sep	1620	+60	1605	1580	200	2,963
Nov	1625	+65	1620	1572	166	1,353
Jan	1625	+65	-	-	-	173
Total					5,078	47,522

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	158.65	+7.60	159.75	149.50	8,431	20,027
May	154.45	+8.45	155.50	145.00	6,192	13,598
Jul	149.50	+7.40	148.10	141.50	1,590	5,455
Sep	145.40	+8.05	143.35	137.75	383	3,421
Dec	140.00	+6.00	140.00	132.75	380	2,240
Mar	135.65	+6.65	133.50	130.00	34	584
Total					16,880	45,479

■ COFFEE (ICO) (US cents/pound)

Feb 7		Prev. day
Comp. daily	114.74	114.40
15 day average	109.12	107.90

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	303.8	-1.0	304.8	303.0	1,357	3,459
May	300.5	-1.2	302.0	300.2	825	10,655
Aug	300.9	-0.7	301.8	300.3	185	3,216
Oct	296.8	-1.0	297.3	296.1	331	2,317
Dec	297.5	-0.6	297.3	296.9	132	664
Mar	296.5	-1.3	-	-	-	403
Total					2,830	20,873

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.51	-0.09	10.58	10.49	7,552	54,595
May	10.53	-0.03	10.54	10.49	3,795	37,752
Jul	10.38	-0.03	10.40	10.36	675	27,908
Oct	10.36	-0.04	10.39	10.35	521	19,378
Mar	10.36	-0.03	10.38	10.35	457	8,770
May	10.38	-0.04	10.38	10.38	22	1,131
Total					13,022	149,139

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	74.58	+0.13	74.90	74.30	2,847	19,875
May	76.08	+0.24	76.35	75.75	1,603	19,864
Jul	77.05	+0.15	77.30	76.90	296	8,856
Oct	77.10	+0.15	77.25	77.00	19	1,378
Dec	77.11	+0.14	77.31	76.90	514	12,335
Mar	78.06	+0.18	78.10	77.85	3	788
Total					5,342	64,148

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	80.65	-2.65	82.85	80.50	2,149	12,583
May	83.80	-2.10	85.80	83.80	994	8,144
Jul	87.05	-2.35	89.30	87.05	283	3,254
Sep	90.10	-2.25	92.00	90.10	164	2,353
Nov	92.00	-2.20	92.50	92.00	17	452
Jan	93.50	-2.30	95.00	95.00	1	190
Total					3,619	27,089

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	63.425	-0.125	63.650	63.325	4,212	9,378
Apr	65.275	-0.350	65.650	65.050	8,447	44,523
Jun	63.425	-0.350	63.825	63.400	2,853	16,982
Aug	63.325	-0.275	63.625	63.275	1,378	17,800
Oct	66.575	-0.250	66.825	66.525	1,180	10,935
Dec	68.525	-0.275	68.650	68.525	332	4,398
Total					18,302	105,975

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	74.325	-0.975	75.000	74.300	842	4,358
Apr	73.300	-0.750	73.925	73.175	4,170	14,804
Jun	78.425	-1.000	78.300	78.200	1,548	7,911
Jul	78.500	-1.000	77.250	78.400	254	1,876
Aug	73.650	-0.700	73.700	73.200	427	2,123
Oct	67.025	-0.275	67.200	66.600	139	1,368
Total					7,575	33,883

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	76.150	-1.475	77.350	76.000	786	1,666
Mar	75.200	-1.950	76.500	75.100	867	2,457
May	78.150	-1.400	77.350	75.950	462	3,207
Jul	78.200	-0.850	76.500	75.800	89	856
Aug	73.275	-0.750	74.250	73.250	19	471
Total					2,223	8,456

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Mar	Jun	Mar	Jun
1525	53	95	12	35
1575	24	67	33	56
1625	8	45	67	84
■ COPPER (Grade A) LME	**Mar**	**Jun**	**Mar**	**Jun**
2150	149	114	8	83
2250	74	70	30	137
2350	26	40	88	206
■ COFFEE LIFFE	**Mar**	**May**	**Mar**	**May**
1500	99	156	11	58
1550	60	128	22	78
1600	33	101	45	101
■ COCOA LIFFE	**Mar**	**May**	**Mar**	**May**
850	15	44	-	12
875	4	29	20	22
900	1	20	42	38
■ BRENT CRUDE IPE	**Mar**	**Apr**	**Mar**	**Apr**
2050	-	-	-	56
2100	-	51	8	-
2150	8	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$18.57-8.77w	-0.88
Brent Blend (dated)	$20.70-0.72	-1.03
Brent Blend (Mar)	$20.65-0.67	-1.08
W.T.I.	$21.83-1.86w	-1.015

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$213-215	-7
Gas Oil	$185-186	-5
Heavy Fuel Oil	$95-96	
Naphtha	$219-224	-5
Jet fuel	$210-212	-4
Diesel	$198-200	-5.50

■ NATURAL GAS (Pence/therm)

Bacton (Mar)	12.00-12.30	-0.10

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)‡	$341.20	+0.85
Silver (per troy oz)‡	494.50c	+3.00
Platinum (per troy oz.)	$352.50	+2.50
Palladium (per troy oz.)	$134.25	+3.75
Copper	115.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.31r	
Tin (New York)	273.50	
Cattle (live weight)	101.23p	-2.28*
Sheep (live weight)	144.37p	+1.56*
Pigs (live weight)†	72.07p	+2.10*
Lon. day sugar (raw)	$280.70	-1.30
Lon. day sugar (wte)	$307.00	-0.10
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	77.75p	
Rubber (Mar)♥	77.75p	
Rubber (KL RSS No1)	302.0x	
Coconut Oil (Phil)§	775.0y	-2.5
Palm Oil (Malay.)§	582.5	-2.5
Copra (Phil)§	$497.5y	-2.5
Soyabeans (US)	206.0x	+2.0
Cotton Outlook'A' index	80.65	
Wooltops (64s Super)	400p	+5

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Jan w Mar y Feb/Mar♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 547 head of pigs sold.

Tea

There was improved general demand this week reports the Tea Brokers Association. Landed brighter Kenya and Burundi teas met strong competition and prices appreciated. Mediums also came to a good market and prices advanced 2 to 3 pence/kg. Ceylons sold well especially better liquoring invoices which gained substantially. Offshore there was good demand at firm rates. Quotations: Landed: Best available 171p/kg. Good 125p/kg. Good medium 117p/kg. Medium 107p/kg. Low medium 90p nom. The highest price realised this week was 171p/kg for a Burundi.

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Feb 10	Feb 7	month ago	year ago
1957.1	1964.0	1898.1	2151.3

■ CRB Futures (Base: 1967 = 100)

Feb 7	Feb 6	month ago	year ago
236.75	238.07		

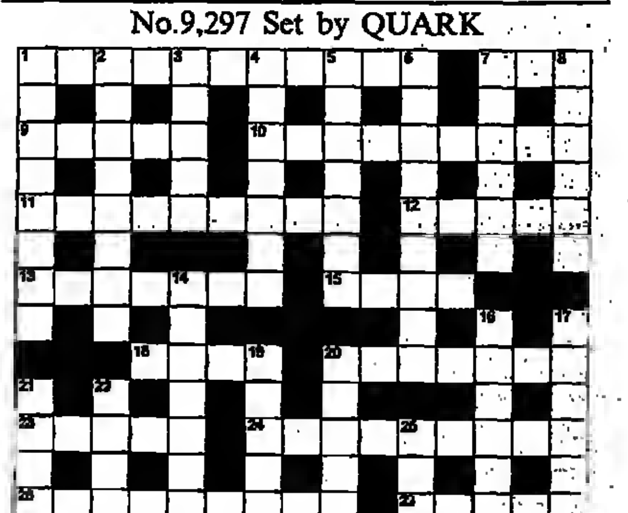
■ GSCI Spot (Base: 1970 = 100)

Feb 6	Feb 5	month ago	year ago
200.15	200.15	226.88	193.53

JOTTER PAD

CROSSWORD

No.9,297 Set by QUARK



ACROSS

1 Card game, French, I deem unusual (6,2,3)
7 Student activity paper (3)
9 The good French backing the Swedish chemist (5)
10 A growth of beard is showing a complete change of opinion (5-4)
11 Regulation rests for hospital attendants (9)
12 Guide one in the vegetable garden (5)
13 The most inoffensive seek item without leader for editing (7)
15 Blossom round the county (4)
18 A festivity that's part of the legal agenda (4)
20 A rising intended, we hear, to cause suffering (7)
23 It's in short a means of transport to follow (5)
24 Oh, spare me flagging for this! (9)
26 On edge over a term of grammar? (4,5)
27 Cockney's mate in the country (5)
28 For a long time the gas doesn't start (3)
29 Beryl's land – or Pat's?(7,4)

DOWN

1 Study the river: in one course it's clear (8)
2 Firmly fixed in the matter (8)
3 The laid-back one's strangely riled (5)
4 He probably writes at the end of the day (7)
5 Goods in the main? (7)
6 In this capacity, pater with year to settle? (9)
7 In truth it's about a friend (6)
8 Impressive second in university examinations (6)
14 Flash English girl (9)
16 Tossed caber, so I will be getting a form of exercise (8)
17 Guide to the period of time for cheapest accommodation (8)
19 There's a lack of the able-bodied settling money on church (7)
20 Fit of rage over a painting technique (7)
21 Raw material seen in the office? (6)
22 Pick up criticism over issue for the minister (6)
25 Stepped out and led the way for others (5)

Solution to Saturday's prize puzzle on Saturday February 22.

Solution to yesterday's prize puzzle on Monday February 24.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB-RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Paid Advisers 0800-414181
Private Clients 0800 414181
From O'seas (44) 1732 777377
Jersey: 01534 71696
08 352 25040420
Hong Kong (852) 848 1000

	Init Charge	Selling Price	Buying Price	+ or -	Yield Grs
A$ Accum		A$15.434		+0.003	5.00
ASch Accum		Sch250.45		+0.02	2.00
C$ Accum		C$18.824		+0.001	2.00
DM Accum		DM30.645		+0.002	1.80
DFl Accum		DFl31.821		+0.001	1.70
ECU Accum		Ecu13.614		+0.001	2.90
FFr Accum		FFr87.478		+0.004	2.10
HK$ Accum		HK$122.77		+0.04	4.90
Lire Accum		L24084		+4	6.30
NZ$ Accum		NZ$40.703		+0.007	6.80
NKr Accum		NKr113.47		—	1.90
S$ Accum		S$28.204		+0.001	1.90
SPta Accum		Pta2761.4		+0.2	5.20
£ Accum		£13.322		+0.002	5.70
SKr Accum		SKr122.26		+0.03	2.90
SFr Accum		SFr29.434		—	0.40
US$ Accum		$23.827		+0.003	4.40
Yen Accum		Y2891.2		—	0.10

Prices for dealing February 10

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda 001 809 292 2780
Jupiter Tyndall World Umbrella Fund Ltd

Prudential Fund Managers (Guernsey) Ltd
Po Box 51, St Peter Port, Guernsey 01481 707000
Prudential Money Funds Ltd

	Init Charge	Selling Price	Buying Price	+ or -	Yield Grs
Managed Sterling		149.2	149.3	+0.2	6.85
Managed Dollar	0	$14.15	14.15	+0.03	5.58
Dollar Deposit		$10.16	10.11	+0.01	5.08

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey 01481 718700

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

هكذا من الأصل

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OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses.

Prices of certain older insurance linked plans subject to capital gains tax on sales.

(*) Funds not SIB recognised. The regulatory authorities for these funds are:

Bermuda - Bermuda Monetary Authority

Guernsey - Financial Services Commission

Ireland - Central Bank of Ireland/Irish Department of Enterprise and Employment

Isle of Man - Financial Supervision Commission

Jersey - Financial Services Department

Luxembourg - Institut Monétaire Luxembourgeois.

Initial charge - Charge made on sale of units.

Selling price - Bid or redemption price.

Buying price - Offer or issue price.

OEIC - Open Ended Investment Company.

Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:

(☆) 0001 to 1100 hours
(☆☆) 1101 to 1400 hours
(▲) 1401 to 1700 hours
(▲▲) 1701 to midnight.

E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
a Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
o Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
z Offered price includes all expenses except agent's commission.
x Previous day's price.
§§ Guernsey gross.
♦ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
Δ Only available to charitable bodies
◆ Yield column shows annualised rates of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

LONDON SHARE SERVICE

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BREWERIES, PUBS & REST

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BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

ENGINEERING - Cont.

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

HOUSEHOLD GOODS

INSURANCE

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

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RETAILERS, GENERAL - Cont.

TEXTILES & APPAREL - Cont.

AIM - Cont.

PHARMACEUTICALS

PROPERTY

TOBACCO

TRANSPORT

OTHER INVESTMENT TRUSTS

SUPPORT SERVICES

AMERICANS

OIL EXPLORATION & PRODUCTION

INVESTMENT COMPANIES

WATER

CANADIANS

AIM

OIL, INTEGRATED

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	✠	£23¼	—	*£31⅞	£20¼	1,984	3.3	♦
Barlow	✠	£7⁹⁄₁₆xd	+⅛	£9⅛	£5⅜	1,459	2.0	14.8
Gold Flds Prop R	†	137½	+3	159	120	14.1	6.6	10.2
MK Props		65	—	95	60	2.61	13.7	–
SASOL	♥	845	—	179	577	3,777	1.7	–
SA Brews		£10⅛xd	+⅛	£24⅛	£13¼	5,366	1.8	♦
Standard Bank		£28⅞	−⅜	£31⅜	£21	3,143	1.4	23.7
Tiger Oats		799	—	1205	770	1,188	2.5	15.4
Tongaat-Hulett		767½xd	−⅛	1130	676¼	717.2	2.4	♦

OTHER FINANCIAL

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

LEISURE & HOTELS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ✠ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield includes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
G Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
G Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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LONDON STOCK EXCHANGE

Election and Wall St jitters unsettle equities

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A gradual weakening of sentiment in gilts, plus a return of uncertainty surrounding Wall Street, unnerved a previously buoyant UK stock market, which slipped into negative ground only minutes before the close.

Earlier, most stock market indices bad moved to record highs in the wake of encouraging economic news and increasingly powerful takeover rumours in the *financial sectors*.

Adding to the market's nervousness were rumours that the Prime Minister had plumped for a mid to late-March date for the election, which some observers saw as a response to growing pressure for an early increase in UK interest rates.

A report yesterday said Treasury officials had joined the Bank of England in calling for a UK rate rise.

At the close, the FTSE 100 index was left 0.1 off at 4,307.7, having touched an intra-day peak of 4,330.0 over luncbtime.

The FTSE SmallCap extended its good performance this year, rising 4.2 to a record closing high *of 2,326.4, only 0.12 below its* all-time intra-day higb reached earlier in tbe day.

The FTSE 250 managed to clamber back over 4,600 to get to within 14 points of its all-time high, but later fell back to end only 4.6 ahead at 4,596.7.

Tbe market's closing performance was in sharp contrast to events during the morning when share prices gave a ready response to the producer price data for January, which wera seen as demonstrating the lack of UK inflationary pressures.

From trading just over 5 points lower, the *FTSE 100* moved quickly into its stride and up to a record high as the producer price numbers were *announced*.

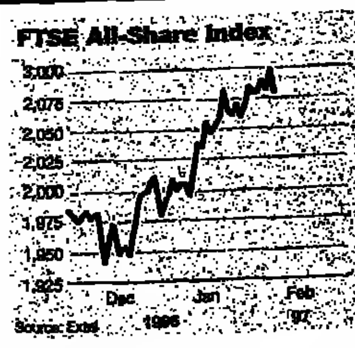
In addition, sterling provided a measure of encouragement to the equity market, appreciating against the dollar but losing ground against tha D-Mark and easing against tbe Bank of England's trade-weighted index.

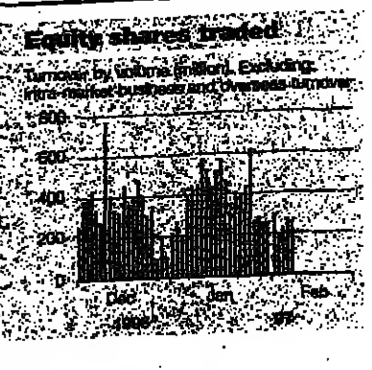
Wall Street gave little comfort to London. The Dow Jones Industrial Average, which rose 84 points last Friday, fell around 10 points shortly after the opening and posted a near 20-point fall as London closed.

There was support for the UK market from Lehman Brothers, wbere the strategy team *said:* "We continue to expect UK equities to outperform both gilts and *other European markets."* Lehman pointed out thet the gap batwean the forward earnings yield on equities and the long gilt yield "remains relatively narrow; when this has occurred in the past equities have outperformed gilts by 10 per cent on a six-month view."

Dealers seid the afternoon sell-off had substantially boosted turnover in equities. At 6pm, some 818.2m shares had changed hands, well above usual levels for a Monday. Customer business on Friday, excluding Crest transacted trades, was worth £801.1m.

Takeover talk continued to drive fund management stocks, notably Mercury Asset Management, although the real push behind MAM cama from an upgrade by SBC Warburg.





Indices and ratios

FTSE 100	4307.7	–0.1
FTSE 250	4596.7	+4.6
FTSE 350	2128.1	+0.4
FTSE All-Share	2100.56	+0.68
FTSE All-Share yield	3.50	3.51
FT 30	2839.9	–2.5
FTSE Non-Fins p/e	18.75	18.80
FTSE 100 Fut Mar	4306.0	+7.0
10 yr Gilt yield	7.20	7.15
Long gilt/equity yld ratio	2.06	2.11

Best performing sectors

1 Insurance .... +1.5
2 Life Assurance .... +1.2
3 Other Financial .... +0.9
4 Food Producers .... +0.8
5 Transport .... +0.8

Worst performing sectors

1 Engineering: Vehicles .... –1.6
2 Oil: Integrated .... –1.0
3 *Extractive Industries* .... –1.0
4 Mineral Extraction .... –0.9
5 Alcoholic Beverages .... –0.8

Cost cut story at Railtrack

By Jeff Brown and Joel Kibazo

Railtrack streaked down the straigbt yesterday after reports of cost breakthroughs ran round the market. *The shares jumped to* the top of the Footsie performance cbarts, advancing by more than 4 per cent.

According to analysts, the surge was due to a combination of stock shortage and rebound from earlier worries about bids by the group for tbe London Underground system. But the main driving force, they said, was talk of the company negotiating new service and supply contracts.

There were suggestions that, on some big deals, Railtrack was looking for price cuts of more than 25 per cent. "If what we hear is true, the cost clawbacks could be substantial," aaid one broker. The stock ended the day 16 highar at 391p in 4.9m traded.

There was strong demand for financial stocks yesterday which belped boost trading in both banking and insurance issues.

Lloyds TSB, which kicks off the reporting season on Friday, was in favour and the shares appreciated 6½ to 493p after trade of 9.7m, with sentiment boosted by recommendations from a couple of brokers. At their best the shares topped the 500p mark for the first time.

US investment bank Lehman Brothers rates the shares a "buy". Analysts at the *bank said* in a note *to* clients: "Strategic issues are probably more important than the figures themselves. We expect significant beadcount reductions to have been achieved in the second balf of tbe year, altbough this is unlikely to bave affected the reported level of expenses. However tbis would allow benefits to be apparent in tbe current year."

The team also suggested that Lloyds TSB may be looking to make acquisitions, "given the strength of the company's cash flow, and particularly the current consolidation in tbe life industry". Lehman expects Lloyds to report profits of £2.4bn against £1.65bn last time.

Schroders is also keen on the stock and analyst Mr Mike Trippitt was reported as saying he rated Lloyds TSB as an "outperform", predicting that the bank's net asset growth and longer term sustainable return on equity point to an end of year target of 550p a share.

In the rest of the sector, Barclays pnt on 9½ to 1,178½p and National Westminster added 11 to 827p.

Marcury Asset Management advanced strongly, closing 26¼ ahead at 1382½p, after SBC Warburg, tbe gronp's broker, raised its share price target on the stock to 1,500p from 1,390p.

SBC is believed to bave said that, despite MAM trading at a 20 per cent premium to the market, the shares remain cheap on a one to two-year earnings ontlook. Dealers said the broker bad also *pointed* out that the market is discounting tbe rate of growth of its funds under management.

Traders said SBC Warburg had also reiterated its buy stance on both Invesco and M & G Gronp. The former gained 7½ to 314¼p, while the latter ended the day 3½ better at 1,380p.

There was good activity in British Airways wbere solid third-quarter results sparked broker upgrades and pushed tbe shares 11 ahead to 597½p. UBS lifted its BA estimate for this year by £20m to £620m and BZW went up from £605m to £625m.

Sentiment was underpinned by renewed talk that BA was confident of sealing its breakthrougb code-sharing deal with American Airlines not later than mid-summer.

An attack of nerves ahead of today's final quarter results left oil leader BP *trailing badly in some of the* beaviest volume seen this year. The stock traded 9.6m shares and ended the session off 15½ at 721p.

However, BP's jitters were said to have more to do with the recent downward blip for oil prices rather than any souring earnings prospects. Brent Blend, the North Sea marker price for oil, has shed around a tenth aince the middle of last week.

According to brokers, some profits estimates for BP's final quarter run well beyond £800m. But the more pragmatic range looks to be £670m to £755m, against £650m in the preceding three months.

LucasVarity was the worst performing Footsie share becouse of share dividend worries. Since last month's trading npdate, there has been persistent talk of a cultural clash between the UK and US sides of the *management* team and in recent weeks doubts about the stability of the dividend have taken a firm hold.

The shares came off 5¼ to 197½p, in 4.2m traded, to extend their underperformance against the market over the past three months to 27 per cent.

GKN aaw sharp swings with the shares, off 30 at one point, closing down 11 at 984p. Concern about US court damages pushed the shares sharply lower at the outset, but there was a significant rebound after Merrill Lynch described the fall-out as a buying opportunity. Engineering analyst Mr Adam Collins said: "The shares were 1,172p last October. Wa think the US litigation risk is largely in the share price."

Dealers attributed tbe sharp advance in General Accident to the recant strength of the US market. One analyst said the group had sizeable investments in the US equity market and would thus benefit from the recent strength of that market. The shares closed 26 up at 872p.

Commercial Union put on 11¼ to 748p, on talk of a BZW "buy" recommendation and Czech expansion plans.

The grey market in the two shares formed out of a demerged British Gas began trading yesterday. BG closed at a when-issued 173p and Centrica at 69¾p. Britisb Gas itself was unchanged at 243½p in 22m shares traded.

The *steady* flow of profit warnings continued yesterday with Toad, the vehicle security group, sliding 19¼ to 41½p, after the group said its recently-appointed chief executive, Mr Charles Parker, had resigned and that sales in the last two months were "below budget".

Triad, the computer software group, *dropped* 45 to 228½p, and VDC, which distributes animal health products, plunged 110 to 165p.

Upbeat interims from housebuilder Bryant Holdings led to an upgrade from BZW. The broker pushed up its forecast of full year profits from £34m to £36m and said the balf-year results fully endorsed the improvement in sentiment apparent in the housing sector. The shares hardened to 150p.

Tile gronp Quiligotti jumped 6½ to 21½p in 25m shares traded after a group of shareholders placed 50.7 per cent of tbe company with institutions at 20½p a share.

FT 30 INDEX

	Feb 10	Feb 7	Feb 6	Feb 5	Feb 4	Yr ago	*High	*Low
FT 30	2839.9	2842.4	2826.7	2845.8	2841.8	2736.3	2885.2	2668.8
Ord. div. yield	4.08	4.07	4.10	4.07	4.06	3.82	4.22	3.76
P/E ratio net	17.47	17.48	17.38	17.51	17.53	15.89	17.55	15.80
P/E ratio nil	17.30	17.31	17.21	17.34	17.36	16.68	17.38	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2840.7	2839.3	2844.4	2842.9	2843.3	2847.1	2848.8	2847.6	2842.4	2849.9	2838.8

	Feb 10	Feb 7	Feb 6	Feb 5	Feb 4	Yr ago
SEAQ bargains	52,854	46,839	44,318	46,900	47,163	32,314
Equity turnover (£m)†	-	801.1	729.2	688.7	666.3	1555.0
Equity bargains†	-	16,568	14,990	16,629	16,330	39,482
Shares traded (ml)†	-	247.3	260.5	272.2	228.1	622.2

†Excluding intra-market and overseas turnover.

	Feb 10	Feb 7	Feb 6	Feb 5	Feb 4	Yr ago	*High	*Low
FTSE AIM	1133.6	1136.1	1130.7	1127.6	1124.7	1044.6	1140.4	965.7

 *For 1996/97.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	765	Total Highs	278	Total contracts	58,256
Total Falls	470	Total Lows	33	Calls	34,286
Same	1,274			Puts	23,970

Feb 10 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4298.0	4307.0	+8.0	4325.0	4290.0	8491	58800
Jun	4315.0	4326.0	+8.0	4343.5	4315.0	185	5551
Sep	-	*4353.0*	*+8.0*	-	-	0	1861

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4632.0	4632.0	-8.0	4632.0	4632.0	250	6401

■ FTSE 100 INDEX OPTION (LIFFE) (*4312) £10 per full index point

	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P	4350 C	4350 P	4400 C	4400 P	4450 C	4450 P	4500 C	4500 P
Feb	174½	4½	126½	7½	82½	14½	45½	29	19½	56½	5½	103	1	153	1	203
Mar	182	26	141½	35	105½	49	76	68½	49½	93	30	124½	16½	168	9	206
Apr	201½	47	163½	58	131½	77	100	95	75½	119½	52	145½	35	180	21½	217
May	225	62½	186	74	152½	90½	118½	107½	91½	131	66½	157	48½	189	33	224½
Jun†			213½	80½			150½	127½			96	177			59½	238

Calls 10,807 Puts 9,100

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4125 C	4125 P	4175 C	4175 P	4225 C	4225 P	4275 C	4275 P	4325 C	4325 P	4375 C	4375 P	4425 C	4425 P	4475 C	4475 P
Feb	196	4	148	6	103	11	62½	20	31	38½	11½	69	3½	110½	1	158
Mar	201½	20½	160	29	124	42½	90	58½	62	80	40	107½	23	140½	12	179
Apr	219½	39	181½	50	146½	64½	114½	62	86½	103½	63	129½	44	159½	28½	193½
May	266	69			196½	97½			135½	134½			87	164		
Jun†	317	96½			249½	126			188½	161½			137	208½		

Calls 12,198 Puts 6,146 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996/97 High	1996/97 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	26.2	57½	49½	BZW Endwmt Red	55		-	-	-	-
§	F.P.	9.22	180	128½	†C&B Publishing	180	+15	-	-	-	-
§	F.P.	3.26	3½	3	†Celtdore Group	3¼		-	-	-	-
§	F.P.	1.60	1	½	†Do Warrants	1					
100	F.P.	12.6	93½	88½	Enterprise Vn Cp	89½		-	-	-	-
	F.P.	14.2	55	55	†Epicore Nwork	55					
§100	F.P.	17.5	298	173½	†GB Railways	199½		-	-	-	-
§145	F.P.	12.3	175	150	†Hardy Underwrtg	167		-	-	-	-
§135	F.P.	58.1	173½	137½	IMS Group	170	-½	3.0	2.1	2.2	22.3
§	F.P.	5.53	4	3½	†John Lewis	4		-	-	-	21.4
*	F.P.	8.04	62½	45½	†Netcall	57½		-	-	-	-
§88	F.P.	34.7	72½	42½	†Oxford Biomedica	54½		-	-	-	-
§65	F.P.	18.1	80½	65½	Parkwood	75½		R1.82	1.3	3.0	25.3
§100	F.P.	24.5	123½	97½	Prelude Tst	117½		-	-	-	-
§	F.P.	1.77	51	22½	Do Warrants	42½		-	-	-	-
§585	F.P.	61.3	757½	652½	Sunderland	752½		R4.8	7.0	0.8	18.0
*	F.P.	13.7	137	125	†Sutton Harbour	137		Z1.2	1.8	1.1	19.5
§100	F.P.	6.23	103½	99	Tea Plantations	99½		-	-	-	-
§	F.P.	0.31	28½	24½	Do Warrants	25		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Feb 7	% chg on day	Feb 6	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1703.00	+0.6	1682.34	2457.09	1.97	-	2457.09	1674.61
■ Regional Indices								
Africa (14)	2005.81	–1.1	2028.77	3553.86	4.50	43.65	3553.86	1918.45
Australasia (7)	1941.72	–1.1	1963.00	2825.27	2.58	21.25	2861.03	1941.72
North America (12)	1590.22	+1.7	1563.34	2085.48	0.82	59.15	2134.81	1550.58

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Feb 10	Day's chge%	Feb 7	Feb 6	Feb 5	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4307.7	.....	4307.8	4265.9	4281.5	3726.8	3.60	2.07	16.75	5.06	1804.31
FTSE 250	4596.7	+0.1	4592.1	4576.6	4583.8	4152.2	3.39	1.51	24.46	7.94	1887.44
FTSE 250 ex IT	4636.8	+0.1	4634.6	4618.7	4624.2	4159.4	3.47	1.53	23.48	8.11	1908.57
FTSE 350	2128.1	.....	2127.7	2109.8	2116.8	1857.8	3.55	1.96	17.82	2.74	1821.35
FTSE 350 Higher Yield	2053.3	+0.1	2050.4	2028.8	2035.6	1856.8	4.61	1.85	14.69	3.03	1462.96
FTSE 350 Lower Yield	2209.4	–0.1	2211.7	2197.8	2204.8	1863.8	2.48	2.18	23.11	2.42	1563.80
FTSE SmallCap	2326.31	+0.2	2322.08	2318.35	2318.00	2028.54	2.92	1.66	25.87	3.81	1946.87
FTSE SmallCap ex IT	2337.50	+0.1	2334.23	2331.26	2330.46	2001.84	3.07	1.73	23.46	4.25	1970.92
FTSE All-Share	2100.56	.....	2099.88	2083.34	2089.61	1833.33	3.50	1.94	18.37	2.77	1825.09

■ FTSE Actuaries Industry Sectors

	Feb 10	Day's chge%	Feb 7	Feb 6	Feb 5	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(21)	4121.21	–0.8	4159.87	4175.28	4184.44	3283.56	3.46	1.72	21.06	0.00	1806.43
12 Extractive Industries(5)	3880.01	–1.0	3919.41	3843.30	3774.12	4240.12	4.17	2.68	11.20	0.00	1156.43
15 Oil, Integrated(3)	4257.12	–1.0	4301.46	4330.87	4357.93	3351.89	3.62	1.55	22.26	0.00	1817.36
18 Oil Exploration & Prod(13)	3683.74	–0.1	3685.84	3702.45	3674.26	2096.69	1.41	1.90	46.73	0.00	2233.36
20 GEN INDUSTRIALS(273)	2008.31	–0.3	2013.94	2010.84	2028.67	2018.39	3.84	1.87	17.44	1.85	1124.72
21 Building & Construction(35)	1350.10	–0.1	1351.52	1348.22	1352.31	1054.92	3.04	1.62	25.38	0.44	1153.24
22 Building Matls & Merchs(31)	1857.12	–0.2	1861.58	1855.78	1867.18	1881.36	4.20	1.39	21.46	0.44	960.00
23 Chemicals(26)	2327.17	+0.1	2325.18	2324.34	2355.78	2438.27	4.48	1.42	19.68	0.58	1129.96
24 Diversified Industrials(17)	1487.30	–0.1	1488.07	1482.60	1499.50	1765.21	4.34	2.59	11.14	4.02	862.51
25 Electronic & Elect Equip(39)	2323.94	+0.1	2321.59	2319.19	2345.20	2303.36	3.36	1.34	27.74	0.44	1234.47
26 Engineering(71)	2569.93	–0.5	2583.76	2563.20	2605.28	2252.19	3.18	2.34	16.76	3.87	1592.42
27 Engineering, Vehicles(13)	2858.30	–1.8	2905.76	2893.94	2930.01	2618.95	3.77	1.71	19.37	0.25	1509.81
28 Paper, Pckg & Printing(27)	2474.72	–0.3	2482.01	2483.62	2478.10	2618.77	4.20	1.79	16.61	0.00	1055.62
29 Textiles & Apparel(14)	1078.70	–0.3	1081.87	1086.09	1098.35	1456.04	6.51	1.28	15.02	0.00	682.52
30 CONSUMER GOODS(85)	3905.83	+0.3	3893.78	3840.77	3863.85	3641.75	3.71	1.86	18.15	8.23	1480.27
32 Alcoholic Beverages(7)	2812.77	–0.8	2832.79	2800.97	2833.46	2814.28	4.84	1.87	13.54	31.26	878.89
33 Food Producers(25)	2666.41	+0.8	2644.32	2637.24	2648.80	2568.66	4.10	1.78	17.05	5.00	1238.29
34 Household Goods(17)	2665.09	+0.1	2663.55	2678.71	2686.96	2639.53	3.77	2.23	14.83	1.06	1076.04
36 Health Care(16)	2201.76	+0.8	2187.96	2171.56	2175.91	1833.77	2.67	1.89	24.69	3.40	1362.47
37 Pharmaceuticals(18)	6127.10	+0.5	6096.64	6013.18	6076.25	5185.36	2.77	1.73	26.09	0.00	2117.18
38 Tobacco(2)	4302.52	–0.1	4308.07	4130.34	4061.48	4818.93	8.03	2.13	9.75	0.00	1107.97
40 SERVICES(273)	2646.57	–0.1	2648.25	2642.03	2647.59	2298.20	2.84	2.01	21.91	6.18	1406.78
41 Distributors(30)	2853.40	–0.5	2867.24	2856.30	2863.53	2607.08	2.97	2.00	21.02	0.00	1072.75
42 Leisure & Hotels(31)	3430.52	–0.3	3442.12	3450.87	3464.89	2820.87	2.54	2.06	23.93	18.18	1876.57
43 Media(44)	4287.17	–0.4	4304.69	4283.64	4286.34	3713.42	2.18	2.13	27.08	3.38	1571.64
44 Retailers, Food(15)	1961.77	–0.5	1972.32	2059.17	2063.51	1935.20	4.03	2.31	13.42	4.09	1279.95
45 *Retailers, General(53)*	2076.87	–0.1	2078.79	2046.22	2041.62	1917.96	3.13	2.02	19.74	6.94	1217.29
47 Breweries, Pubs & Rest.(22)	3368.40	+0.5	3352.16	3306.95	3348.89	2962.72	3.22	2.10	18.49	13.48	1659.85
48 Support Services(56)	2921.41	+0.2	2914.91	2902.32	2911.21	2002.45	1.72	2.44	29.82	1.18	1886.71
49 Transport(22)	2782.93	+0.8	2761.57	2749.80	2755.70	2285.80	3.45	1.26	28.80	6.35	1192.24
60 UTILITIES(30)	2729.40	–0.1	2732.70	2700.57	2703.35	2454.52	4.92	1.71	14.85	5.11	1240.32
62 Electricity(10)	2920.42	–0.8	2936.87	2900.35	2915.52	2748.87	5.94	2.15	9.81	22.08	1613.07
64 Gas Distribution(1)	1638.55	.....	1638.55	1564.53	1534.25	1603.78	7.44	0.54	31.18	0.00	896.57
66 Telecommunications(8)	2272.78	.....	2272.37	2262.03	2272.76	2014.99	3.88	1.56	21.73	0.00	1072.93
68 Water(11)	2554.92	+0.1	2553.17	2520.88	2506.48	2097.33	5.83	2.32	9.26	0.00	1477.68
69 NON-FINANCIALS(682)	2139.33	–0.1	2142.53	2131.63	2140.59	1937.79	3.60	1.86	16.75	3.47	1670.32
70 FINANCIALS(106)	3952.85	+0.6	3928.13	3853.66	3846.80	2910.40	3.37	2.39	15.55	0.84	1746.22
71 Banks, Retail(8)	5785.43	+0.4	5764.24	5632.80	5645.76	4114.84	3.15	2.74	14.50	0.00	1936.57
73 Insurance(16)	1790.37	+1.5	1763.23	1734.02	1710.47	1407.56	4.87	2.31	11.63	0.96	1388.13
74 Life Assurance(7)	4614.21	+1.2	4559.82	4521.55	4470.69	3492.03	3.37	1.78	20.81	0.00	1961.80
77 Other Financial(29)	3190.84	+0.8	3162.81	3105.80	3097.31	2543.18	3.17	2.04	19.29	1.32	1856.03
79 Property(44)	1867.03	+0.5	1858.49	1841.82	1836.01	1448.85	3.42	1.39	27.54	2.57	1161.69
80 INVESTMENT TRUSTS(127)	3307.87	+0.5	3290.70	3278.62	3293.61	3150.25	2.18	1.13	51.42	3.97	1173.14
89 FTSE All-Share(815)	2100.56	.....	2099.88	2083.34	2089.61	1833.33	3.50	1.94	18.37	2.77	1825.09
FTSE Fledgling	1308.96	+0.3	1305.35	1301.53	1301.88	1144.30	2.96	0.45	80.00†	2.47	1395.36
FTSE Fledgling ex IT	1329.66	+0.2	1326.60	1322.87	1322.77	1138.46	3.23	0.37	80.00†	2.52	1419.66

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4304.4	4302.8	4321.5	4319.8	4321.8	4325.1	4325.8	4321.9	4312.4	4330.0	4302.8
FTSE 250	4595.5	4596.8	4598.8	4600.0	4600.8	4601.5	4601.2	4599.0	4597.7	4602.0	4595.2
FTSE 350	2126.7	2126.2	2133.7	2133.2	2133.9	2135.4	2135.5	2133.8	2130.0	2137.3	2126.0

Time of FTSE 100 Day's high: 1:29 PM Day's low: 8:53 AM. FTSE 100 1996/97 High: 4307.8 (07/02/97) Low: 3632.3 (16/07/96).

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1305.3	1303.6	1304.5	1303.3	1303.6	1303.9	1302.1	1301.3	1300.3	1300.3	1301.1	–0.8
Pharmaceuticls	6030.6	6019.7	6030.4	6030.3	6049.6	6067.0	6071.9	6062.3	6057.8	6042.6	6014.7	+27.9
Water	2547.2	2547.0	2547.7	2550.5	2550.9	2548.8	2548.9	2549.2	2550.4	2548.7	2547.0	+1.7
Banks, Retail	5821.3	5829.6	5900.1	5885.3	5892.8	5897.0	5902.8	5896.9	5862.8	5859.3	5837.8	+21.5

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	247	524½	+1½
ASDA Group†	24,900	115¾	+1
Abbey National†	3,100	780½	-½
Albert Fisher	1,700	42½	+¼
Allied Domecq†	4,200	415	-2½

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

US INDICES

Dow Jones	Feb 7	Feb 6	Feb 5	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Industrials	6855.80	6773.06	6746.90	6883.90 (21/1/97)	5032.94 (10/1/96)	6883.90 (21/1/97)	41.22 (8/7/32)
Home Bonds	103.43	103.36	103.54	106.09 (14/2/96)	100.99 (15/7/96)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2331.50	2324.41	2311.15	2355.23 (22/1/97)	1882.71 (18/1/96)	2355.23 (22/1/97)	13.23 (8/7/32)
Utilities	230.50	229.32	230.43	240.85 (23/1/97)	204.86 (30/7/96)	256.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6906.22 (6821.17) Low 6747.28 (6683.40) (Theoretical) Day's high 6868.50 (6773.08) Low 6762.87 (6713.80) (Actual)

Standard and Poors	Feb 7	Feb 6	Feb 5	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Composite‡	789.56	780.15	778.28	789.56 (7/2/97)	598.48 (10/1/96)	789.56 (7/2/97)	4.40 (1/6/32)
Industrials♥	923.10	912.65	910.90	924.97 (4/2/97)	702.07 (15/1/96)	924.97 (4/2/97)	3.52 (30/6/32)
Financial	90.93	89.32	88.80	96.96 (7/2/97)	58.67 (10/1/96)	90.93 (7/2/97)	7.13 (4/9/74)
NYSE Comp.	413.80	409.89	408.74	413.80 (7/2/97)	321.41 (10/1/96)	413.80 (7/2/97)	4.64 (25/4/42)
Amex Comp.	586.61	585.03	585.41	617.81 (22/5/96)	524.20 (16/7/96)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1357.71	1348.40	1348.44	1388.06 (22/1/97)	988.57 (15/1/96)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Feb 7	Jan 31	Jan 24	Year ago
Dow Jones Ind. Div. Yield	1.95	1.96	1.99	2.13
	Feb 5	Jan 29	Jan 22	Year ago
S & P Ind. Div. yield	1.78	1.78	1.74	1.88
S & P Ind. P/E ratio	24.09	23.98	24.40	19.86

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Micron Tec	6,764,700	34	+1⅛
IBM	4,942,300	148¾	+3⅛
Bay Ntwk	4,718,400	19⅛	---
Pepsico	4,642,800	32¼	-⅛
EDS	4,558,300	46¼	+1⅞
AT & T	4,167,300	38¾	----
Olympic Fn	4,166,600	9⅞	-1⅞
Wal-Mart	3,862,200	24	+⅛
WMX Tec	3,824,600	30¾	-⅛
CocaCola	3,482,000	58¾	+⅛

■ TRADING ACTIVITY

● Volume (million)	Feb 7	Feb 6	Feb 5
New York SE	538.608	519.380	577.777
Amex	26.706	18.564	20.700
NASDAQ	655.997	638.052	695.838
NYSE			
Issues Traded	3,329	3,331	3,335
Rises	1,639	1,240	913
Falls	931	1,225	1,621
Unchanged	759	866	801
New Highs	169	91	167
New Lows	41	41	26

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	793.50	795.10	+0.75	795.25	792.55	81,471	178,676
Jun	802.15	802.10	+0.30	803.00	801.30	853	10,733

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	17840.0	18200.0	+340.0	18310.0	17820.0	24,077	219,721
Jun	17840.0	18200.0	+390.0	18240.0	17830.0	492	46,164

Open interest figures for previous day.

EASDAQ-see New York Stock Exchange pages.

Prices supplied by Extel, part of FT Information

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. s Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, February 10, 1997

	Stocks Traded	Closing Prices	Change on day
Ga-Jo-En Kanko	9.5m	6	+2
Kyotaru	7.0m	30	-10
Nippon Lace	4.7m	240	-19
Tobishima Corp	4.3m	161	
Nippon Stl Corp	4.1m	288	-6
Daido Steel Sheet	3.7m	782	-32
Yamaichi Secs	3.3m	405	+3
Toyota Motor	3.3m	3250	+90
Fujita Corp	3.2m	194	+1
Sumitomo Mtl Ind	3.1m	270	+8

4 pm close February 10

NEW YORK STOCK EXCHANGE PRICES

1996/97 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
32	24 7/8	AAR x	0.48	1.8	22	3125	26 3/4	25 5/8	25 3/4	
48 1/8	33	AMP x	1.04	2.7	29	5215	39 1/2	38 5/8	38 3/4	-1/2
97 1/2	69	AMR			8	3072	78 7/8	78 5/8	78 7/8	-3/8
50 1/2	33 3/4	ASA	1.20	3.5	22	570	34 1/4	33 3/4	34 1/4	+1/8
57 7/8	39 1/8	AbbtL x	0.96	1.7	23	7167	56 1/8	55 3/4	60 7/8	+1/8
17 7/8	12 1/4	Abitibi Pr	0.40	2.4	0	887	16 5/8	16 3/8	16 3/8	
20 1/4	13 1/2	ABM Ind	0.40	2.1	17	116	18 3/4	16 5/8	18 3/4	+1/8
22 1/2	13 7/8	Acptncein			10	25	20 1/2	20 3/8	20 3/8	-1/4
31 1/4	37 3/4	ACE Ltd	0.72	1.2	10	1491	59 7/8	58 3/4	59 3/4	+1/8
10 1/2	9 3/8	ACM Gvt In x	0.90	8.7	11	233	10 1/8	10 3/8	10 3/8	+1/8
7 7/8	6 3/8	ACM GvOpp x	0.68	8.3		80	7 5/8	7 1/2	7 5/8	
9 7/8	8 3/8	ACM Man x	0.90	9.4		249	9 5/8	9 1/2	9 5/8	
13 7/8	6 1/8	Acme Elect				51	7 3/4	7 1/2	7 1/2	
21 5/8	13 7/8	Acme Mts			72	40	16 3/4	16 5/8	16 3/4	+1/8
33 3/4	27 1/4	Acordia	0.80	2.1	14	361	29 1/2	28 7/8	29 1/2	+5/8
29 3/8	12	Acuson				2046	28 7/8	27 5/8	28 5/8	+1/2
21 5/8	17 7/8	Adams Expr	0.80	2.7	1	263	20 5/8	20 1/2	20 1/2	-1/8
36 1/8	10 1/4	AdvMic				4258	34 1/4	32 7/8	33	-1 3/8
13 7/8	8 1/2	Advest Grp			0	115	13 5/8	13 3/8	13 5/8	
26 1/8	9 3/8	Advo Inc			31	310	13 1/2	13 1/4	15 1/2	+1/8
65 1/8	41 1/8	Aegon	1.18	1.0	18	205	63 7/8	63	63 7/8	+1 1/8
6 3/4	3 1/2	Aerflx				96	4 1/2	4 3/8	4 1/2	
50 1/8	40 3/8	AES Corp				20	48	40	59 1/4	+1/8
82 1/2	57 5/8	Aetna x	0.80	1.0	80	8963	79 7/8	78 1/8	79 5/8	+1 1/2
44	28 1/4	Aflac	0.40	1.0	14	1784	40 3/8	40	40 1/8	-1/8
22	17 3/8	AGL Res	1.08	5.3	14	807	20 5/8	20 1/8	20 3/8	+1/8
38 7/8	21 1/4	Ahmnsn x	0.88	2.3	41	7849	38 1/8	37 3/4	38 1/8	+1/4
78 1/2	60 3/8	AirPrC x	1.18	1.4	18	3585	u77 1/8	75 1/4	75 7/8	-3/8
28 3/8	19 1/2	Airlane Pri	0.30	1.1	20	330	27 3/8	22	27 1/4	+1/8
27 1/8	15 1/2	Airgas Inc			21	5550	18 3/4	18 3/8	18 3/8	-5/8
16 7/8	13 1/4	Airlease x	1.00	10.9	11	23	16 1/2	16 3/8	16 1/2	+1/8
33 5/8	23 1/8	AirTch			78	10401	28 7/8	28	28 1/4	-5/8
30 1/4	15 7/8	Alaska Air			8	850	22 3/8	22	22	-1/4
24	17 1/4	Albany Int	0.40	1.7	14	00	u24	23 3/4	23 7/8	-5/8
24 1/8	14 3/8	Albemarle				169	19 5/8	18 3/8	19 1/4	-5/8
54 1/2	32 1/2	AlbCulB x	0.40	0.7	20	2120	u55	54 5/8	54 7/8	+1/8
46 1/2	29 5/8	AlbCulA x	0.40	0.8	17	1847	u47 1/2	46 3/4	47 1/4	+3/8
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1996/97 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
18 1/2	12 3/8	BdwlProp	1.04	5.9	14	1974	17 3/4	17 3/8	17 5/8	+1/8
74 7/8	55 1/8	BellAtl	2.88	4.1	17	9243	70 5/8	68 3/4	68 7/8	+1 7/8
24	15	Bell In			10	184	22 7/8	22 1/4	22 7/8	+1/8
45 3/4	35 1/4	BellSth	1.44	3.2	16	6917	44 1/8	43 1/8	44 5/8	+3/4
41 1/4	31	Belo A x	0.44	1.2	17	697	36	35 7/8	36	+1/2
41 7/8	25 5/8	Bemis	0.80	2.0	21	340	41 1/8	40 1/2	40 3/4	
67 1/2	60	Benef 4.3P	4.30	6.6		5	67	66 3/4	66	
71 3/4	43 5/8	Benet	2.00	3.0	13	1082	66 7/8	65 3/8	66 3/4	
27 3/4	20 3/4	Benetton A	0.38	1.4	18	13	25 3/4	25 1/2	25 5/8	-1/4
7/8	5/16	Benquet B			18	204	13/16	3/4	5/8	-1/16
33	24 5/8	BergBr x	0.48	1.6	15	700	29 7/8	29 1/2	29 1/2	-1/8
36000	29800	BerkHA			38	z40	36000	35900	36000	+200
1220	990	BerkHB				14	1201	1197	1200	+3
15 7/8	8 3/4	Berry Petr	0.40	2.8	10	119	14 5/8	14 1/2	14 1/2	-1/8
28 1/4	7 7/8	Best Buy			36	1268	8 3/4	8 1/2	8 5/8	
28 1/8	24 1/2	Beth St 2.x	2.50	9.4		12	26 5/8	26 1/2	26 5/8	+1/8
54 3/4	48 5/8	Bethlm Pr x	5.00	0.7		15	31 5/8	31 1/2	61 1/2	-1/8
15 7/8	7 5/8	BethSt				4008	9 3/8	8 1/8	9 3/8	
61 1/8	40 1/8	Btzbm	1.50	2.6	28	2570	57 5/8	27 1/4	57 3/8	-1/8
15	9 1/4	BevEnt			20	2490	u15	14 3/8	14 3/4	-1/4
20 7/8	15 1/4	Bindley W	0.56	0.5	12	41	17 7/8	17 3/4	11 3/4	-5/8
22	14 1/2	Birmingm S	0.40	2.1		187	18 5/8	18 1/2	18 5/8	
44 1/4	29	BlDeck	0.48	1.4	20	1237	33 1/2	33 1/4	33 1/2	+1/4
28 3/4	22 3/4	Black H PL	1.42	5.1	15	84	27 3/4	27 3/8	27 5/8	+1/4
6 7/8	6	BlckrckAdv	0.90	7.2		67	6 5/8	6 5/8	6 5/8	-1/8
5 5/8	5 7/8	Blckrckinc	0.55	8.8		463	6 1/2	6 3/8	6 3/8	-1/8
0	8 3/8	BlckrckTgt	0.57	8.4		810	u9	8 7/8	9	+1/8
42 1/8	29 5/8	Block	0.90	2.7		800	29 3/4	29 3/8	29 1/2	-1/4
42 3/4	25 3/8	Blount A	0.51	1.3	14	147	39 3/4	39 1/8	39 1/8	-1/4
19 3/8	7 1/2	Blue Chip	0.18	1.8		161	0	8 7/8	0	
4 3/4	2 1/2	Bluegreen				131	2 3/4	2 5/8	3 1/4	
35	19 3/4	BMC Ind	0.06	0.2	34	578	31 1/2	30 3/4	30 3/4	-1/4
114 1/2	74 7/8	Boeing	1.12	1.0	33	5579	109 3/8	107 1/4	107 1/4	-2 1/8
47 1/4	27 3/4	BoiseC	0.60	1.8		2084	34 3/8	34 1/8	34 1/4	-5/8
11 7/8	4 3/8	Bombay Co				382	4 7/8	4 3/4	4 3/4	-5/8
15 7/8	8 1/8	Borden Chm x	0.40	4.1	75	402	9 7/8	9 5/8	9 7/8	
25 1/8	20 1/8	Bostn Celt	1.50	6.6	9	32	23 1/8	22 7/8	22 7/8	-1/8
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4 pm close February 10

NYSE PRICES

Continued from previous page

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Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. Sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. s Dealings suspended.

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AMEX PRICES

4 pm close February 10

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NASDAQ NATIONAL MARKET

4 pm close February 10

[illegible]

- L -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Labone	0.72	15	42	18¾	18¼	18½	-⅛
Ladd Furn			168	14¾	14⅜	14⅜	-⅝
Lam Rsch		11	10091	38¼	35⅝	35⅞	-2⅞
Lancaster	0.72	16	280	45¾	44¾	45¼	+½
Lance ♣ a	0.96		104	18⅜	18	18⅜	+⅛

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow		13	542	10⅝	10	10¼	+⅛
Rallys		2	208	4⅛	3⅞	3⅞	-⅛
Raymond	0.10	11	7284	20¾	19⅞	20¾	+⅝
RCSB Fin	0.60	11	382	30⅞	30½	30⅝	-⅛
Read-Rite			17176	30⅛	28	28⅞	-1¾
Recoton		14	177	16½	15½	15½	-1
RegFinCp			778	u56	55⅜	55¾	+⅜
Repligen			169	1⅝	1⅛	1⅝	+⅛
Repub Ind			49266	36⅞	33½	34⅝	-2⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		26	20791	u47¾	44	44⅝	-2⅛
Xircom		43	7138	27⅛	24⅛	24⅛	-3
Xpedient Corp			1172	5¾	5⅝	5⅝	-⅛
Yellow			90	16½	16¼	16¼	-⅛
York Rsch		20	348	10½	10⅛	10¼	-⅛
ZionsUtah	1.76	18	937	124½	120¾	124½	+2

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
Arcucard	US$8.125		13000	8.5	8	Mercer Internatl	US$11		0	11.375	10.875
Artrion Systems	US$10.875	-0.125	12500	11.25	9.375	Potech	US$5.375	-0.125	10300	5.75	4.75
Dr Solomons ADS	US$22.875	-0.125	0	26.125	18.625	Easdaq Nomura Index	1174.86				
Innogenetics	US$11.25	+0.125	29070	12.875	10.125						

Prices for 10/2/97. EASDAQ has entered into an arrangement with Nomura International for the construction of the EASDAQ-Nomura index which is published daily alongside the price information shown above

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel 32-2 / 227 65 20) and in London (Tel 44-171 / 515 3095).

FINANCIAL TIMES Tuesday February 11 1997

Blue chips flat as tech stocks fall

AMERICAS

US share prices were mixed at midsession as worriss sbout growth in some segments of the technology sector led to losses, while blue chip indices were mostly flat, *writes Lisa Bransten in New York.*

The technology-rich Nasdaq composite slid 9.54 at 1,348.17, sparked in part by a warning from 3Com, a computer networking company, that profits in the current quarter would be weaker than analysts' expectations. The Pacific Stock Exchange technology index, which contains both Nasdaq and NYSE shares, wss 1.2 per cent weaker.

Shares in 3Com, which had already fallen 37 per cent since hitting a peak of more than $80 in December, skidded another $11⅝ or 23 per cent to $39¼ yesterday.

The warning from 3Com also led to losses among other computer networking companies. Cisco Systems, the third largest company in the Nasdaq, shed $4⅛ or 7 per cent st $59, Cascade communications lost 1\frac{1}{16}$ or 4 per cent at $35¼, and Bay Networks fell $¾ or 4 per cent to $18¾.

Shares in computer makers were also weak yesterday. Dell Computer lost $2¾ at $63, Compaq lost $2½ at $80 and Hswlett-Packard shed $1⅝ at $50¼.

A loss of $2⅛ at $146¼ in IBM contribnted to a modest loss on the Dow Jones Industrial Average.

At 1 pm, the blue chip index was off 3.46 at 6,852.34 while the more broadly traded Standard & Poor's 500 edged up 1.35 st 790.91. Volume on the New York Stock Exchangs came to 267m shares. A gain of $2¼ or 4 per cent to $53⅝ in Sears Roebuck lent some support to the Dow.

Elsewhere, ITT Hartford Group jumped $3⅛ or 4 per cent to $78⅝ after the company moved to spin off its Hartford Life unit through a public sale of its shares. Chubb, also considering a spin-off of its life insurance activities, added $1 at $56⅝.

Gaylord Entertainment shed $2⅛ or 10 per cent to $22⅞ on nsws that it had sold two cable networks to Westinghouse for about $1.5bn.

TORONTO turned back after a firm opening as a weak oil sector outweighed firm banks. The TSE-300 composite index was 6.60 weaker by noon st 6,095.08 in volume of 40.7m shares.

However, analysts attributed the market's underlying strength to continuing flows of mutual fund money as investors moved their savings into tax sheltered pension plans before the March 1 cut-off dste.

Among individual stocks, Canadian 88 Energy slipped 20 cents to C$5.20 after its unexpected weekend decision to withdraw its hostile takeover bid for Morrison Petroleum. Morrison dropped 45 cents to C$12.75.

Mexico City weaker

MEXICO CITY edged lower in thin trade with investors keeping a wary eye on developments on Wall Street. By midsession, the IPC index was 0.70 weaker at 245.41.

Profit-taking left Telmex L shares 8 centavos weaker at 14.50 pesos in morning trade while the ADRs, traded in New York, lost $¼ at $37.

A1 shares in Groupo Carso, the holding company, fell 5 centavos at 47.60 pesos.

SANTIAGO remained on an upward track, extending Friday's 3.8 per cent gains which followed an unexpected decision by ths central bank to trim interest rates. Analysts noted that the decision marked the bank's first tightening of its tight credit policy which had been in force for more than a year. By midsession, the IPSA index was 1.05 higher at 116.94.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	+1.62	+3.76	+8.90	+21.97	-0.17	+4.38
Belgium	+1.27	+6.50	+21.56	+28.82	+5.12	+62.45
Denmark	+3.74	+8.26	+35.50	+45.70	+21.09	+26.62
Finland	+0.54	+7.41	+49.32	+57.70	+32.22	+38.25
France	+3.06	+10.57	+32.36	+41.59	+17.37	+22.72
Germany	+3.21	+6.86	+26.10	+35.87	+11.22	+18.30
Ireland	+1.88	+5.57	+28.22	+31.48	+24.54	+30.22
Italy	+3.53	+13.43	+26.60	+33.86	+24.10	+29.76
Netherlands	+2.79	+7.33	+36.75	+42.78	+16.58	+21.90
Norway	+0.64	+5.99	+38.64	+41.70	+30.40	+36.35
Spain	+2.29	+4.03	+48.92	+52.74	+25.33	+31.05
Sweden	+1.27	+7.21	+44.44	+51.38	+29.17	+35.07
Switzerland	+1.92	+10.63	+31.46	+30.97	-0.04	+4.52
UK	+0.66	+5.59	+14.64	+16.18	+16.18	+21.48
EUROPE	+1.87	+7.44	+25.69	+30.20	+15.19	+20.45
Australia	+0.90	+1.27	+7.86	+10.35	+8.12	+13.05
Hong Kong	+2.70	+1.90	+14.05	+30.47	+24.53	+30.22
Japan	-2.26	+0.39	-16.78	-14.86	-32.62	-29.54
Malaysia	+1.76	+2.98	+18.19	+28.23	+24.86	+30.56
New Zealand	-3.01	-3.70	+7.87	+5.70	+5.56	+10.37
Singapore	-1.04	+1.59	-5.74	+5.58	+0.97	+5.58
Canada	-0.09	+2.00	+24.37	+32.58	+28.19	+34.04
USA	+0.34	+3.86	+21.38	+27.85	+22.27	+27.85
Mexico	+0.45	+1.55	+19.28	+30.57	+23.30	+28.93
South Africa	+4.31	+3.59	-2.28	+10.39	-13.27	-9.31
WORLD INDEX	+0.46	+4.12	+13.30	+18.47	+6.80	+11.67

† Based on February 7th 1997.

Oil price impact, but eight bourses peak

EUROPE

Stability on Wall Street, good bond markets and the medium-term trend in the dollar gave most bourses a lift, eight of them moving into new high ground. Here and there, bowsver, the weak oil price did some damage.

FRANKFURT's blue chips advanced on a broad front with strong performances in the automotive sector, in engineers and steels, in chemicals, in utilities and in construction stocks.

The Dax index rose another 24.36 to an Ibis-indicated, all-time closing high of 3,185.72, turnover reflecting the Fasching holiday in southern Germany with a fall from DM14.4bn to DM11.3bn. Carmakers were led by Porsche prefs, up another DM84.90 or 5 per cent at DM1,775 but BMW, Volkswagen and Daimler were up by 1.2, 1.3 and 1.7 per cent respectively.

At CS First Boston Mr Niall O'Connor, an engineering analyst, said that the macroeconomic outlook was good: the sverage DM/$ rate, he said, had moved from DM1.48 last year to DM1.57, down 6 per cent, this year; and the spot rate was now DM1.65, 11 per cent down from the 1996 mean.

Mr O'Connor classified Preussag as a dollar play and upgraded the engineering and steel group to buy; it rose by DM5 or 1.2 per cent to DM415 on top of last Friday's 3.8 per cent gain. Keeping it company, Linde and Thyssen rose by another 2 per cent and 1.6 per cent.

PARIS balanced weakness in oils with speculation in financials, and buying of blue chip laggards. Pinault Printemps, the retailer and 1998 market leader, also gained FFr77 at FFr2,445 but the CAC 40 index eased 2.15 to 2,595.37.

Banks were active on s study which considered Crédit Commercial de France and Crédit Nstional as potential takeover targets. CCF put on FFr18.20 or 7.1 per cent at FFr275. In oils, Total lost FFr9 st FFr473 and Elf-Aquitaine FFr28 or 4.8 per cent at FFr554.

ZURICH registered an sighth consecutive record close after late buying interest in export-oriented companies. The SMI index closed 26.9 higher at 4,384.3.

Banks, however, suffered from profit-taking after their recent advances, UBS falling SFr10 to SFr1,239 and CS Group SFr1.50 to SFr149.50.

Among ths insurers, Swiss Re gained SFr26 to SFr1,463, lifted by news that the EU had approved its takeover of Italy's Unione Italiana di Riassicurazione.

Roche certificatss remained on an upward path, rising SFr245 to SFr12,435.

Adecco, the temporary employment group, rose another SFr12 to SFr420 in further response to last week's good results from Manpower of the US.

AMSTERDAM peaked by a whisker with tha AEX index up 0.79 at 695.04. Royal Dutch lost ground on the oil price, hut Unilever rose Fl 3.10 to Fl 313.40 ahead of results today.

MeesPierson maintained DSM as a "buy" and the chemicals group put on Fl 4.50 at FL 178.70. But the cablemaker, NKF, slumped Fl 17.50 or 23.8 per cent to Fl 56; it expected 1997 profits to be significantly below those of 1996.

MILAN was broadly lower on heavy institutional selling of a number of recent favourites. The Comit index finished 0.89 higher st 797.71 while the real-time Mibtel index lost L119 to L797.71. Among the biggest losers, Eni fell L153 to L9,102, Telecom Italia lost L81 to L4,615 and Tim was L110 weaker at L4,796.

Heavy foreign buying drove up some banks. BCI rose L142 to L3,784, and Credito Italiano L62 to L2,505. Banca di Roma jumped L81 to L1,440 on speculation that it might be considering ths sale of BNA, itself L77 ahead at L1,280.

STOCKHOLM pushed up Ericsson Bs by SKr8 to SKr252 ahead of today's 1996 results, and after an estimated 57 per cent gain in mobile phone subscribers in 1996. The Affärsvärlden General index peaked again, 29.5 higher at 2,646.5.

HELSINKI speculated about a financial sector merger, and the banks and finance snb-index rose 1.8 per cent as the Hex index hit s new high, up 15.83 at 2,821.91.

However, the really high jinks were reserved for the wholesals and retail groups, Kesko and Sentra, on Kesko's sale of Tuko unit to various buyers, including Sentra. Kesko rose FM4.30 or 6.5 per cent to FM70.80, but Sentra soared FM100 or 62.6 per cent to FM260, brokers saying that its participation in the Tuko deal would completely change its earnings prospects.

ATHENS was boosted by a better-than-expected 6.8 per cent January inflation figure and by Friday's announcement that National Bank that it was reducing interest rates on savings deposits. The general index finished 32.89 or 2.8 per cent higher at 1,220.69, with leasing and construction shares np by 4.2, and 4 per cent respectively.

DUBLIN saw a forecast from Davy Stockbrokers that the ISEQ overall index could appreciate by another 9 per cent between now and the end of this year, taking it to 3,200. Davy expected banking stocks to fuel the rise, pencilling in a further 15 per cent gain for the sector. On the day, the ISEQ closed up 21.60 at 2,977.51.

MOSCOW closed at a peak as domestic investors drove prices higher and foreign investors provided support. The RTS-24 index jumped 11.23 to 304.90, taking its rise this year to more than 50 per cent.

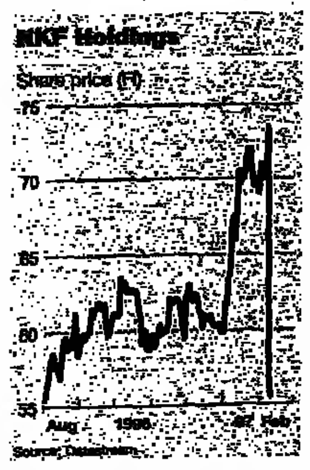
Written and edited by William Cochrane and Michael Morgan

FTSE Actuaries Share Indices

Feb 10	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2115.49	2115.41	2118.29	2119.39	2122.02	2122.15	2122.69	2123.69
FTSE Eurotrack 200	2151.01	2151.10	2151.82	2154.30	2157.29	2153.72	2155.60	2156.79

	Feb 7	Feb 6	Feb 5	Feb 4	Feb 3
FTSE Eurotrack 100	2109.55	2088.80	2081.22	2086.76	2063.25
FTSE Eurotrack 200	2148.50	2121.63	2120.24	2104.97	2098.08

Base value 1000 (26/10/90); High/day: 100 - 2124.12; 200 - 2157.98 Low/day: 100 - 2114.08 200 - 2148.69. † Partial.



Official support for finance sector lifts Tokyo

ASIA PACIFIC

The Japanese finsnce minister, Mr Hiroshi Mitsuzuka, offered reassuring comments on the stability of the financial sector, and TOKYO responded with a rally of 1.8 per cent, *writes Jonathan Annells.*

The Nikkei 225 average rose 314.13 to 18,181.17 after trsding between 17,843.38 and 18,268.32. Large-scale orders emerged after Mr Mitsuzuka told a parliamentary budget committee that his ministry would "firmly support" the country's leading 20 commercial banks as they proceed with the disposal of their had loans.

He also said that tha government would consider abolishing the securities transactions tax for individual investors.

Sentiment among Japanese investors had improved in the ligbt of the G-7 finance ministers' "message from Berlin" that the dollar had risen enough, and signs that Mr Mitsuzuka was now paying more attention to the condition of the stock market and the banking sector, a Japanese broker said.

Investors had been disappointed that no indications of support had been forthcoming from the minister when the stock market dived early in the New Year, and concern over the extent of banks' bad loans resurfaced last week amid rumours that a finsncial crisis wss looming at Nippon Credit Bank.

Volume contracted sharply, from 506m shares to an estimated 340m. Advances led declines by 675 to 394 with 164 unchanged. The Topix index of all first section stocks rose 13.39 to 1,354.89, and the capital-weighted Nikkei 300 by 3.07 to 258.86.

In London, the ISE/Nikkei 50 index rose 1.37 to 1,376.97.

Bank of Tokyo-Mitsubishi added Y40 to Y1,830, Fuji Bank Y20 to Y1,230 and Sumitomo Bank ended Y20 higher at Y1,260.

Pharmacentical stocks, regarded as defensive, attracted steady buying all day. Sankyo jumped Y220 to Y3,540, Yamanouchi Y50 to Y2,280 and Takeda Chemical Y70 to Y2,480.

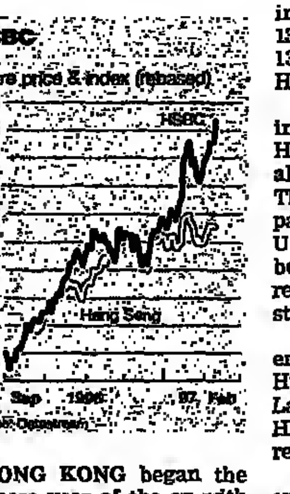
Market leaders in the electrical and car-making sectors maintained tbeir momentum. Sony hit a 13-month high of Y8,560 before finishing at Y8,550, Y90 higher. It was outpsced by Honds, which surged Y140 to Y3,380.

The steelmakers, Nippon Steel and NKK, and major securities companies, Nikko and Daiwa ended lower.

In Osaka, the OSE average rose 158.79 to 16,976.77.

BANGKOK lost 1.4 per cent, depressed by continuing tigbt liquidity in tha money market and concerns that the baht might ease further against the dollar.

The SET index closed 10.53 lower at 737.23 in turnover of Bt2.4bn, with widespresd falls seen in the finance sector. Bangkok Bank fell Bt1 to Bt173. Elsewhere, Siam Cement, Thailand's largest cement manufacturer, dropped Bt24 to Bt704.



HONG KONG began the Chinese year of the ox with a sharp rise in HSBC Holdings but the broader market turned back from a strong opening to close marginally weaker. The Hang Seng index slipped 16.96 to 13,643.54, wsll off an early 13,860.88, in turnover of HK$7.6bn.

HSBC led ths market, closing HK$5.50 higher at HK$189.50, after setting an all-time high of HK$191.50. The gain was sttributed in part to the strength of the US dollar, which would boost the bank's earnings reports, dne on March 3, in sterling terms.

Poorly performing property stocks included Sun Hung Kai and Henderson Land, which each gave up HK$2 to HK$91 and HK$71.50 respectively.

SEOUL was higher on expectations of an early settlement to the Hanbo scandal and improving fundsmentals. The composite index ended up 9.57 at 709.79.

Analysts noted that the central hank supplisd Won1,260bn to the banking system during the day through repurchase agreements to help banks meet their daily reserve levels.

During the day, the Ministry of Finance and Economy said that the government would supply Won1,400bn to money markets this year to stop Hanbo Steel's financial failure from causing insolvencies at small companies.

BOMBAY was higher as the countdown began to the February 28 budget which, investors hoped, might contain a number of market-friendly measures. The BSE-30 index rose 36.33 or 1.7 per cent to 3,443.55.

SYDNEY opened at a record bigb, but tben resource stocks were mauled on concerns over commodity prices and the Australian dollar. Ths All Ordinaries index ended flat, 0.3 down st 2,446.4, after a high of 2,461.9, in turnover of A$605m.

Among major oil producers, Woodside fell 25 cents to A$9.40 and Santos by 12 cents to A$4.71, under pressure from the sharp fall in the oil price.

MANILA saved its bullish instincts for secondary and tertiary stocks as the composite index rose just 4.18 to 3,386.02. Rumours of holding company status for companies owned by the businessman, Mr Alfredo Ramos, lifted Philodrill, in oil exploration, by 0.25 centavos or 26 per cent to 1.20.

● Among markets closed for public holidays were Singapore, Kuala Lumpur, Karachi, Jakarta, Taipei, Shanghai and Shenzhen.

S Africa industrials ahead

Johannesburg industrials found a number of reasons to move ahead, mcinding a stronger rand, improved gold and foreign exchange reserves, and President Nelson Mandsla's speech last Friday at the new session of parliament.

The overall index rose 76.4 to 8,956 as industrials advanced 83.5 to 8,286.5. Golds, however, weakened 7.1 to 1,350.4 on a struggling bullion price.

De Beers rose 450 cents to R148 on speculstion thst some kind of diamond deal with Russia might be on the cards.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 7 1997								THURSDAY FEBRUARY 6 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	214.53	0.2	195.20	169.28	186.77	187.49	0.5	4.07	214.30	194.88	167.34	183.84	186.47	224.51	188.44	197.40
Austria (24)	182.18	-0.8	166.36	143.55	158.38	158.30	0.6	1.84	183.61	166.81	143.37	157.51	157.42	195.04	174.70	189.50
Belgium (26)	229.89	-0.3	209.95	181.14	199.85	195.53	0.8	3.30	230.69	209.59	180.14	197.90	193.69	233.47	203.64	214.71
Brazil (28)	224.07	2.4	204.64	176.56	194.80	432.04	2.4	1.41	218.91	198.89	170.94	187.80	421.85	224.07	147.48	165.46
Canada (114)	198.97	0.4	181.71	156.78	172.97	194.36	0.5	1.89	198.15	180.03	154.73	169.99	193.32	201.62	153.61	157.77
Denmark (32)	365.64	-0.4	333.92	288.11	317.87	317.12	0.9	1.38	367.05	333.47	286.62	314.88	314.26	367.05	291.30	300.92
Finland (26)	258.63	-0.0	236.20	203.78	224.84	268.64	1.0	1.85	258.64	234.98	201.97	221.88	268.19	262.72	174.47	187.84
France (92)	220.18	0.1	201.08	173.49	191.41	194.87	1.4	2.51	219.96	199.85	171.78	188.71	192.18	220.18	182.80	184.97
Germany (59)	190.37	-0.4	173.86	150.00	165.50	165.50	0.9	1.50	191.11	173.63	149.23	163.95	163.95	181.17	164.47	170.90
Hong Kong (59)	504.85	0.0	461.06	397.80	438.89	502.15	-0.0	3.09	504.71	458.55	394.12	432.98	502.16	514.49	402.53	443.58
Indonesia (27)	247.71	0.0	225.69	194.72	214.83	360.42	0.0	1.48	247.17	224.56	193.01	212.03	360.42	–	–	–
Ireland (16)	332.73	-0.3	303.87	262.18	289.26	295.32	0.6	3.11	333.88	303.29	260.88	286.38	293.70	333.83	254.35	259.09
Italy (58)	95.63	1.5	87.34	75.35	83.14	116.90	2.2	1.80	94.24	85.62	73.59	80.85	114.34	96.32	70.61	78.51
Japan (480)	109.18	-1.5	99.69	86.01	94.90	86.01	-0.6	0.90	110.84	100.70	86.55	95.08	86.55	164.68	109.18	154.20
Malaysia (107)	633.39	0.0	578.45	499.06	550.64	608.31	0.0	1.02	633.59	575.63	494.76	543.53	608.31	633.89	511.96	525.60
Mexico (27)	1335.42	0.4	1218.60	1052.26	1160.85	11392.99	0.1	0.97	1330.30	1208.61	1038.80	1141.21	11387.83	1364.02	1046.55	1168.41
Netherland (19)	332.44	-0.5	303.60	261.95	289.00	284.91	0.9	2.59	333.92	303.38	260.75	286.46	282.45	336.15	274.35	275.92
New Zealand (14)	87.92	-0.9	80.30	69.28	76.44	88.38	0.0	4.09	88.73	80.62	69.29	76.12	88.40	95.60	75.94	80.50
Norway (41)	315.36	-0.5	288.01	248.49	274.16	281.04	0.8	1.80	317.02	288.02	247.56	271.96	278.98	319.57	230.82	231.67
Philippines (22)	210.31	0.4	192.07	165.72	182.83	276.12	0.4	0.82	209.43	190.28	163.54	179.67	274.92	–	–	–
Singapore (43)	429.95	-0.1	392.68	338.79	373.78	280.26	0.0	0.98	430.50	391.12	336.16	369.31	280.26	460.80	371.28	456.21
South Africa (44)	349.45	1.2	319.14	275.35	303.79	338.93	0.5	2.39	345.31	313.73	269.65	296.23	337.37	435.59	301.49	435.56
Spain (35)	218.48	-0.7	197.71	170.58	188.20	231.91	0.7	2.70	217.91	197.98	170.18	186.94	230.42	228.16	181.86	165.36
Sweden (50)	421.54	0.1	384.96	332.15	366.46	463.52	0.8	1.93	420.99	382.48	328.74	361.15	459.80	432.49	306.70	308.77
Switzerland (35)	246.65	-0.2	225.25	194.35	214.42	220.48	1.1	1.32	247.18	224.57	193.01	212.04	218.06	254.34	222.64	224.24
Thailand (45)	83.73	-0.2	76.47	65.98	72.79	84.58	-0.1	4.04	83.92	76.25	65.53	72.00	84.62	193.06	83.72	193.06
United Kingdom (211)	280.06	0.4	255.77	220.67	243.47	255.77	0.9	3.72	279.00	253.48	217.87	239.35	253.48	283.17	224.39	231.05
USA (654)	321.23	1.2	293.37	253.16	279.27	321.23	1.2	1.86	317.50	288.46	247.93	272.37	317.50	321.23	254.79	264.65
Americas (823)	294.09	1.1	268.58	231.73	255.67	247.28	1.1	1.84	290.75	264.17	227.05	249.44	244.47	294.09	233.09	241.67
Europe (726)	241.94	0.1	220.96	190.64	210.33	221.21	1.0	2.64	241.76	219.65	188.79	207.40	218.94	242.22	201.66	202.98
Nordic (151)	370.09	0.0	337.99	291.61	321.73	350.70	0.8	1.82	370.25	336.38	289.12	317.62	347.75	375.85	275.98	276.35
Pacific Basin (873)	131.50	-1.1	120.10	103.62	114.32	102.35	-0.4	1.41	132.94	120.78	103.81	114.04	102.77	177.01	131.50	167.45
Euro-Pacific (1599)	177.53	-0.4	162.13	139.88	154.33	147.25	0.4	2.11	178.29	181.98	139.22	152.94	146.64	181.51	176.40	182.14
North America (768)	313.86	1.1	286.64	247.31	272.85	312.86	1.1	1.86	310.33	281.94	242.33	266.22	309.32	313.91	248.65	258.04
Europe Ex. UK (515)	216.25	-0.1	197.50	170.40	188.00	198.13	1.1	2.03	215.47	198.67	169.04	185.70	195.95	216.47	181.80	183.18
Pacific Ex. Japan (393)	315.60	0.0	288.23	248.68	274.37	275.96	0.1	2.89	315.50	286.64	246.36	270.65	274.97	320.65	268.97	290.15
World Ex. US (1812)	181.34	-0.3	165.61	142.89	157.65	153.24	0.4	2.09	181.93	165.28	142.06	156.07	152.56	193.47	177.71	194.06
World Ex. UK (2255)	220.85	0.4	201.70	174.02	192.00	196.12	0.8	1.79	220.01	199.89	171.80	188.74	194.82	224.89	199.58	206.66
World Ex. Japan (1986)	285.26	0.7	260.52	224.77	247.99	274.24	1.0	2.17	283.22	257.31	221.16	242.96	271.49	285.26	233.10	239.23
The World Index (2466)	225.90	0.4	206.31	178.00	196.39	201.54	0.8	1.98	225.04	204.45	175.73	193.05	199.97	228.97	202.32	208.86

 Latest prices were unavailable for this edition. Markets closed 7/2/97: Hong Kong, Indonesia, Malaysia and Singapore.